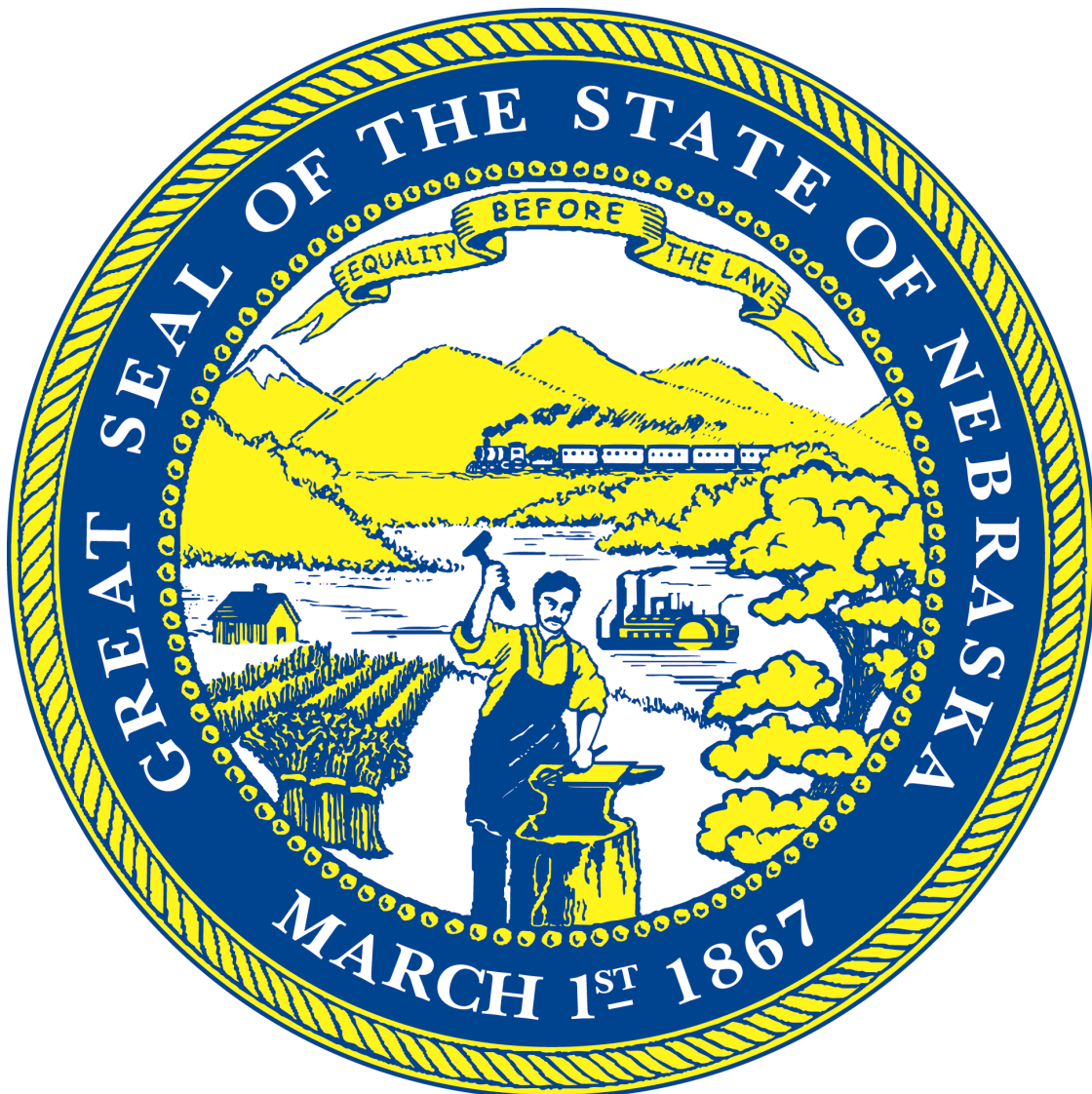


State of Nebraska

Comprehensive Annual Financial Report

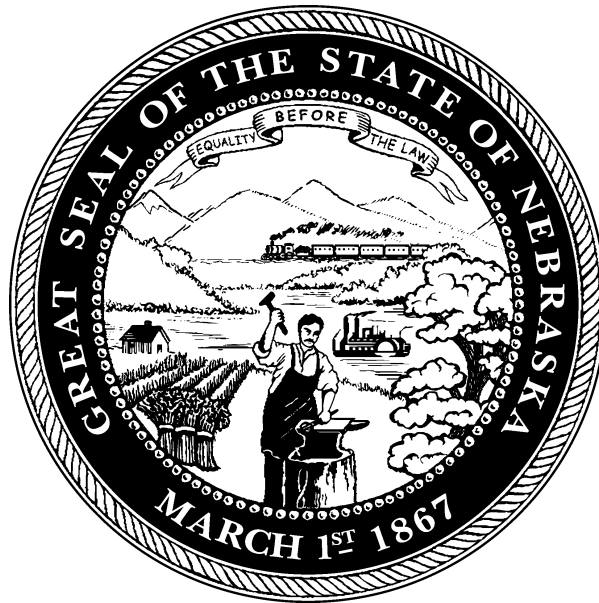
Fiscal Year Ended June 30, 2014



State of Nebraska

Comprehensive Annual Financial Report

Year Ended June 30, 2014



Dave Heineman

Governor

Administrative Services

Gerry A. Oligmueller

Acting Director

Hari Kadavath

State Accounting Administrator

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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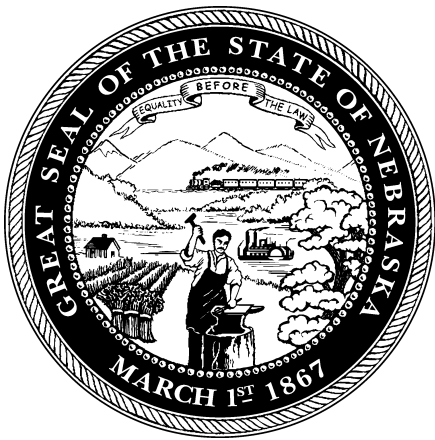
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INTRODUCTORY SECTION

SELECTED STATE OFFICIALS

As of June 30, 2014

EXECUTIVE

Dave Heineman

Governor

Lavon Heidemann

Lieutenant Governor

Jon Bruning

Attorney General

Mike Foley

Auditor of Public Accounts

John A. Gale

Secretary of State

Don Stenberg

State Treasurer

JUDICIAL

Supreme Court of Nebraska

Michael G. Heavican, Chief Justice

William B. Cassel, Justice

William M. Connolly, Justice

Michael McCormack, Justice

Lindsey Miller-Lerman, Justice

Kenneth C. Stephan, Justice

John F. Wright, Justice

LEGISLATIVE

Greg Adams

Speaker of the Legislature

Nebraska Unicameral (49 Senators)



December 17, 2014

The Honorable Dave Heineman, Governor
Members of the Legislature
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the “State”) for the fiscal year ended June 30, 2014. This report is the primary means of reporting the State government’s financial activities. The State of Nebraska’s financial statements have been audited by the State of Nebraska Auditor of Public Accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State’s financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor’s report is presented as the first component of the financial section of this report. The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model’s objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The independent audit of the financial statements of the State was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State’s separately issued Single Audit Report.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) The Financial Section contains Management’s Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and various combining statements. (3) The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 members elected on a non-partisan ballot. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on page 9.

The State reporting entity reflected in this CAFR is described more fully in Note 1.B. to the financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units, the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. Second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary. Finally, the State's accounting system checks each expenditure to ensure the appropriation and allotment are not exceeded.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 70 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 71 through 74.

FACTORS AFFECTING FINANCIAL CONDITION

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State operates.

Current Revenue Outlook

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent 94 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2014 increased \$150 million from the prior year, indicating that the Nebraska economy continues to strengthen.

For the fiscal year ending June 30, 2014 the State's General Fund ended the fiscal year with a cash and investments balance of \$1,442 million. The balance had exceeded \$800 million dollars for the prior six years.

The current forecast for fiscal year 2015 anticipates net receipts in the General Fund to increase about \$165 million, a 4.0% increase over fiscal year 2014. No significant changes in revenue are anticipated in the other funds.

Economy of the State

The University of Nebraska-Lincoln Bureau of Business Research and the Nebraska Business Forecast Council are cautious in forecasting Nebraska's economic future. The Council is optimistic about the national economic outlook, and expects Nebraska to maintain its relative economic strength. The Council's July 2014 forecast is shown on the following chart. The agriculture market is a major force in the Nebraska economy and the farm economy is entering a period of relative stability. Nonfarm income growth is expected to continue growing in 2015 and 2016 along with a steady increase in employment. Continued modest growth in employment is expected across all nonfarm related industries. Retail sales will continue to grow in 2015 and 2016.

	ACTUAL			PROJECTED		
	2011	2012	2013	2014	2015	2016
Nonfarm Employment:						
Annual Totals	952,600	968,800	978,300	989,600	999,300	1,009,000
Growth Rates	0.8%	1.7%	1.0%	1.2%	1.0%	1.0%
Nonfarm Personal Income:						
Annual Totals (in millions \$)	74,223	78,278	80,533	83,647	87,243	91,121
Growth Rates	6.5%	5.5%	2.9%	3.9%	4.3%	4.4%
Net Taxable Retail Sales Growth Rates:						
Total	5.7%	4.8%	4.9%	4.5%	4.9%	4.7%
Motor Vehicle Sales	8.8%	8.8%	4.1%	5.0%	4.5%	4.6%
Non-motor Vehicles Sales	5.3%	4.2%	5.0%	4.4%	5.0%	4.7%

Long-term Financial Planning

The State always is looking at least four years out in its analysis of the financial condition of the State in preparing the State's budgets. Currently, we have a working model of the biennium budget for fiscal years 2016 and 2017. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. Revenues for fiscal years 2015, 2016 and 2017 are projected to increase by 4.0%, 3.2% and 4.6%, respectively.

Higher than projected tax receipts have recently boosted the state revenue forecast. By operation of law, any revenue above the projection will be used to rebuild the cash reserve, which was used to supplement weak revenue during the recession. The potential for relatively large annual growth in expenditures for school aid and Medicaid presents a challenge in preparing a budget that keeps expenses within projected revenue. In addition, the growth in recent years in the prison inmate population presents an additional challenge due to increased operating costs and possible capital asset improvements. To ensure we do have a balanced budget, the State exerts considerable time and effort in reviewing the trends of future revenues and expenditures.

Major Initiatives

The major initiatives were a strong focus on jobs creation, improving the economy and strengthening education.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2013. This was the twenty-third consecutive year that the State has received this prestigious award. In order to be awarded a Certificate of Achievement, the State published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

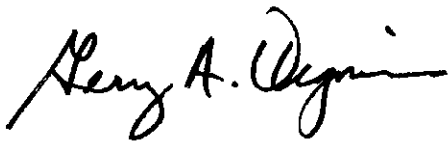
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report continues our commitment to comprehensive disclosure of the State's financial condition. We are committed to issuing reports that are informative and meet governmental accounting standards. Reports that meet these standards provide the reader with an opportunity to make more informed judgments about the government's financial position and results of operations.

The 2014 CAFR represents the continuous effort on our part to fulfill this commitment. We wish to express our appreciation to the accounting staff of the State Accounting Division of Administrative Services and the budget and accounting staff throughout State government for their assistance in the preparation of this report.

Questions or requests for additional information related to this report can be directed to the State Accounting office at (402) 471-2581.

Respectfully submitted,

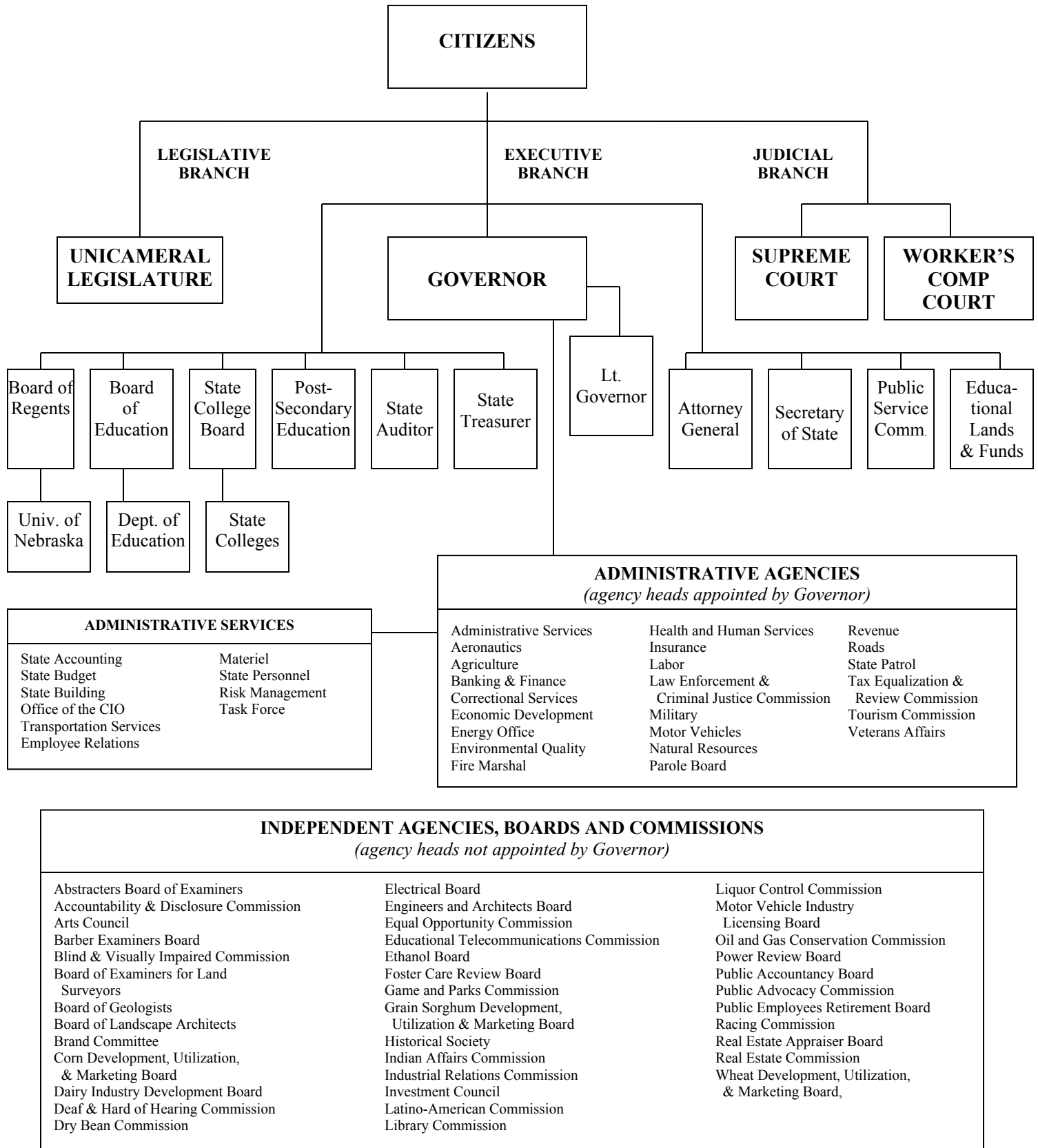


Gerry A. Oligmueller
Acting Director, Administrative Services



Hari Kadavath
State Accounting Administrator

Nebraska State Government Organization Chart





Government Finance Officers Association


**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

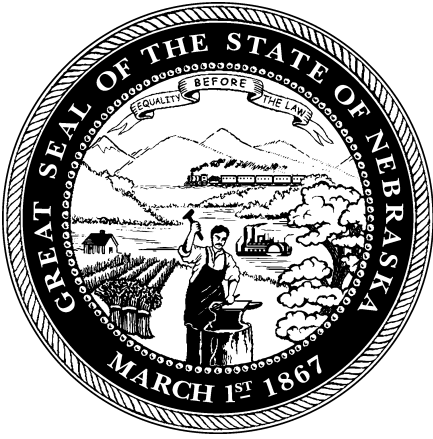
State of Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



Executive Director/CEO



FINANCIAL SECTION



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

Independent Auditor's Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation, which represent 48%, 41%, and 35%, respectively, of the assets, net position or fund balances, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the College Savings Plan which represents 18%, 20%, and 19% of the assets, net position or fund balances, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the

aggregate discretely presented component units and the aggregate remaining fund information for the College Savings Plan is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program, the Nebraska State Colleges Facilities Corporation, and the College Savings Plan were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Nebraska's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 28, the Budgetary Comparison Schedules on pages 70 through 75; and the Information About Infrastructure Assets Reported Using the Modified Approach on page 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nebraska's internal control over financial reporting and compliance.



Lincoln, Nebraska
December 16, 2014

Pat Reding, CPA, CFE
Assistant Deputy Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented four new standards in 2014 required by the Governmental Accounting Standards Board (GASB). Statement No. 66, *Technical Corrections-2012; an amendment of GASB Statements No. 10 and No. 62* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* had little effect since the State was already in compliance with the new requirements. Statement No. 67 *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25* modified pension financial statements and specified the required approach to measuring pension liabilities and Statement No. 65, *Items Previously Reported as Assets and Liabilities* changed items presented on the Balance Sheet and Statements of Net Position.

A comparative analysis of government-wide data for the last two years is presented in this analysis. Additionally, we are presenting an analysis of activity in the State's funds for the fiscal year ended June 30, 2014 along with an analysis of the State's capital assets and long-term debt related to capital assets.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the State exceeded its liabilities at June 30, 2014 by \$13.0 billion (presented as "net position" in the CAFR). The majority of the net position is represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net position, unrestricted net position was reported as \$1.5 billion, most of which is available to be used to fund future needs of the State. The primary government's net revenues exceeded net expenses for 2014 resulting in an increase in net position of \$553 million. This increase in net position was comparable to the increase in 2013 of \$569 million.

Fund Level:

General Fund receipts for 2014 were \$97 million above the original budgeted amount and above the final budget by \$14 million. Expenditures were \$307 million less than the original and final budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$313 million in excess revenues prior to a legislatively mandated property tax relief transfer of \$113 million in addition to other financing sources causing an increase in fund balances of \$229 million, and thereby increasing the fund balance on June 30, 2014 to \$1,262 million. Other governmental funds revenues exceeded expenditures by \$191 million, chiefly due to unrealized market gains. Adding to these operating gains, such other funds received \$12 million in net other financing sources. This \$203 million net increase resulted in raising such fund balances at June 30, 2014 to \$2,596 million.

The \$460 million of net position of the Unemployment Insurance Fund represents 83% of the enterprise funds. Such fund had a \$21 million increase in net position for 2014 compared to a \$36 million increase in 2013, a \$15 million difference. This was due to business assessment fees collected from employers exceeding the unemployment insurance claims in 2013 and being relatively consistent in 2014.

Long-term Liabilities:

Long-term liabilities shown on the government-wide financial statements totaled \$430 million at June 30, 2014, which is a \$43 million decrease from the prior year. Most of these liabilities consist of claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, employee health insurance, and Medicaid, in addition to the calculated amount for accrued vacation and vested sick leave due to employees when they retire. After a retired employee

reaches the age of 65, the State has no further obligation for other post employment benefits, except for a very small number of employees.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

Government-wide Financial Statements

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* (page 31) presents all the State's assets and liabilities with the difference between the two reported as "net position." Changes in net position over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 32 and 33) presents information showing how the State's net position changed during the reported year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Funds, are not included in the government-wide financial statements.

Primary Government

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent over 95% of all activity of the primary government. It includes general government; education; health and social services; public safety; transportation; regulatory services; and economic development and assistance.

BUSINESS-TYPE ACTIVITIES – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State's services and purchasers of State's goods in order to recover all or a significant portion of the State's operating costs related to these activities, much like a private business. Such activities are unemployment insurance services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

Component Units

DISCRETELY PRESENTED COMPONENT UNITS – These are separate entities for which the State has financial accountability (in which the State provides over one-fifth of their funding) but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State's only two discretely presented component units. While presented in this report, each of these two units has separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State's operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 34) provide detailed information about the State's major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State's funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

Governmental Funds Financial Statements – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds financial statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State's finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State's near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the government-wide financial statements and the governmental funds financial statements (see pages 35 and 37).

The State of Nebraska's governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net position reported in these statements as Enterprise Funds will be identical to the net position reported in the net position for business-type activities in the government-wide financial statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds Financial Statements – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 13 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and contributions from State participants received by the College Savings Plan. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions.

Component Units Financial Statements

As mentioned in the discussion of the government-wide financial statements, the State has included the net position and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate component unit statements to allow the reader to analyze each of these two units separately.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 46.

Required Supplementary Information

Following the basic financial statements and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds, Federal Funds, and Revolving Funds. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing State data.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

The State's assets totaled \$14,582 million at June 30, 2014 as compared to \$14,096 million at June 30, 2013. As total liabilities only totaled \$1,621 million, net position amounted to \$12,961 million as of June 30, 2014. As of June 30, 2013, these amounts were \$1,688 million and \$12,408 million, respectively. By far the largest portion of the State of Nebraska's net position (66 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

Restricted net position is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. It is also not available for future general government spending.

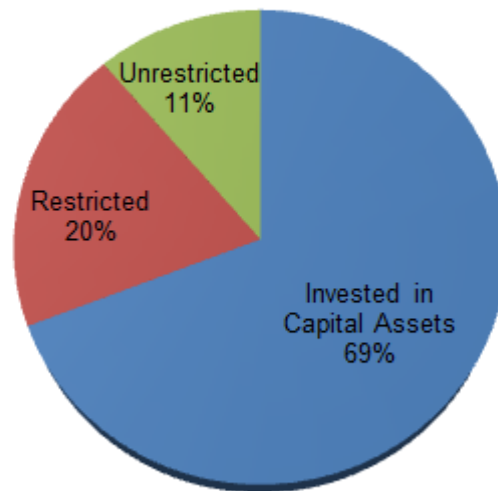
For Governmental Activities other than capital assets, the majority of the restricted net position consists of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust and the loans to political subdivisions for drinking water and clean water projects.

The net position for business-type activities chiefly represents cash set aside for future unemployment insurance benefits.

STATE OF NEBRASKA
Net Position as of June 30
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and Other						
Non-current Assets	\$ 5,380	\$ 5,003	\$ 605	\$ 595	\$ 5,985	\$ 5,598
Capital Assets	8,590	8,491	7	7	8,597	8,498
Total Assets	13,970	13,494	612	602	14,582	14,096
Non-current Liabilities	401	433	29	40	430	473
Other Liabilities	1,165	1,181	26	34	1,191	1,215
Total Liabilities	1,566	1,614	55	74	1,621	1,688
Net position:						
Net Investment in Capital Assets	8,572	8,469	7	7	8,579	8,476
Restricted	2,430	2,217	462	441	2,892	2,658
Unrestricted	1,402	1,194	88	80	1,490	1,274
Total Net Position	\$ 12,404	\$ 11,880	\$ 557	\$ 528	\$ 12,961	\$ 12,408

Governmental Activities
Net Position - Total \$12,404 million



Over 79% of the State's non-capital assets consist of cash and investments. It should be noted that \$200 million in 2014 and \$221 million in 2013 of such assets represent "Securities Lending Collateral," an amount created by a journal entry required by GASB in order to record a lending transaction. Since the asset is offset by a corresponding equal liability, the effect on net position is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.) Receivables, chiefly from taxes and the federal government, represent 15% of the non-capital assets.

Liabilities largely reflect three groupings which represent 95% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payables and accrued liabilities of \$540 million (\$538 million in 2013); tax refunds payable of \$383 million (\$384 million in 2013); and long-term payables explained next.

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Position presents few long-term liabilities (shown as noncurrent liabilities), which total only \$430 million (\$473 million in 2013). The majority

of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling \$106 million for 2014 (\$111 million for 2013), Medicaid claims for \$169 million (\$202 million in 2013), and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$130 million in 2014 (\$130 million for 2013). Other minor amounts of long-term liabilities consist chiefly of capital lease obligations (See Note 8 to the Financial Statements), which totaled \$18 million at June 30, 2014 and \$6 million of obligations under other financing arrangements (See Note 9 to the Financial Statements). There was also a net pension obligation of \$0.9 million (See Note 13 to the Financial Statements).

The \$524 million increase in net position of Governmental Activities, was due to the \$103 million increase in the net investment in capital assets, the \$213 million increase in restricted net position, and the \$208 million increase in unrestricted net position. The major cause of the increase was a \$200 million increase in taxes collected.

At the end of June 30, 2014, the State is able to report positive balances in all of the three categories of net position.

Changes in Net Position

The condensed financial information on the following page was derived from the government-wide Statement of Activities and reflects how the State's net position changed during the year. Following that table is management's analysis of the changes in net position for 2014, analyzing both the governmental activities and the business-type activities.

STATE OF NEBRASKA

CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues						
Charges for Services	\$ 581	\$ 598	\$ 308	\$ 371	\$ 889	\$ 969
Operating Grants and Contributions	2,622	2,704	-	-	2,622	2,704
Capital Grants and Contributions	19	20	-	-	19	20
General Revenues						
Taxes	4,764	4,564	-	-	4,764	4,564
Unrestricted Investment Earnings	223	97	15	10	238	107
Miscellaneous	3	2	-	-	3	2
Total Revenues	8,212	7,985	323	381	8,535	8,366
EXPENSES						
General Government	507	459	-	-	507	459
Conservation of Natural Resources	143	143	-	-	143	143
Culture - Recreation	31	31	-	-	31	31
Economic Development and Assistance	89	96	-	-	89	96
Education	1,712	1,645	-	-	1,712	1,645
Higher Education - Colleges and Universities	618	572	-	-	618	572
Health and Social Services	3,226	3,197	-	-	3,226	3,197
Public Safety	376	384	-	-	376	384
Regulation of Business and Professions	124	134	-	-	124	134
Transportation	920	859	-	-	920	859
Interest on Long-term Debt	1	1	-	-	1	1
Unemployment Insurance	-	-	122	168	122	168
Lottery	-	-	121	121	121	121
Excess Liability	-	-	1	4	1	4
Cornhusker State Industries	-	-	12	9	12	9
Total Expenses	7,747	7,521	256	302	8,003	7,823
Excess (deficiency) Before Transfers and Contributions to Permanent Fund Principal	465	464	67	79	532	543
Transfers	38	40	(38)	(40)	-	-
Contributions to Permanent Fund Principal	21	26	-	-	21	26
Increase (Decrease) in Net Position	524	530	29	39	553	569
Net Position - Beginning (as restated)	11,880	11,350	528	489	12,408	11,839
Net Position - Ending	\$ 12,404	\$ 11,880	\$ 557	\$ 528	\$ 12,961	\$ 12,408

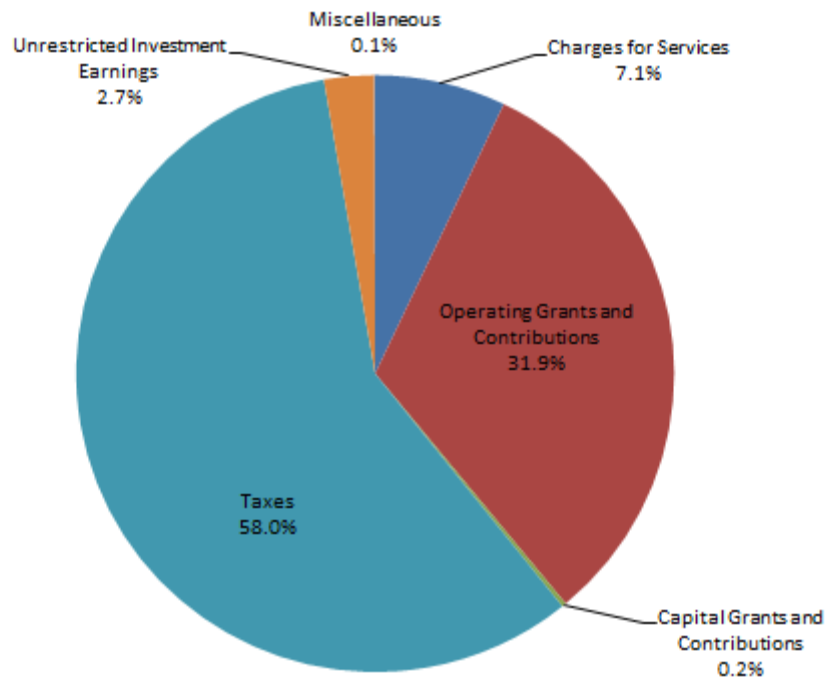
Governmental Activities

Governmental activities increased the State's net position by \$524 million in 2014 (\$530 million increase in 2013). Governmental activities represent 96% of all the primary government's revenues. Program revenues of governmental activities were \$3,222 million and were used to partially offset program expenses of \$7,747 million, leaving net expenses of \$4,525 million. Only 7% of total expenses were spent on general government expenses. General taxes, investment earnings, miscellaneous, contributions to the permanent fund principal, and transfers all totaling \$5,049 million, were \$524 million more than the remaining costs of the governmental activities' programs as shown below.

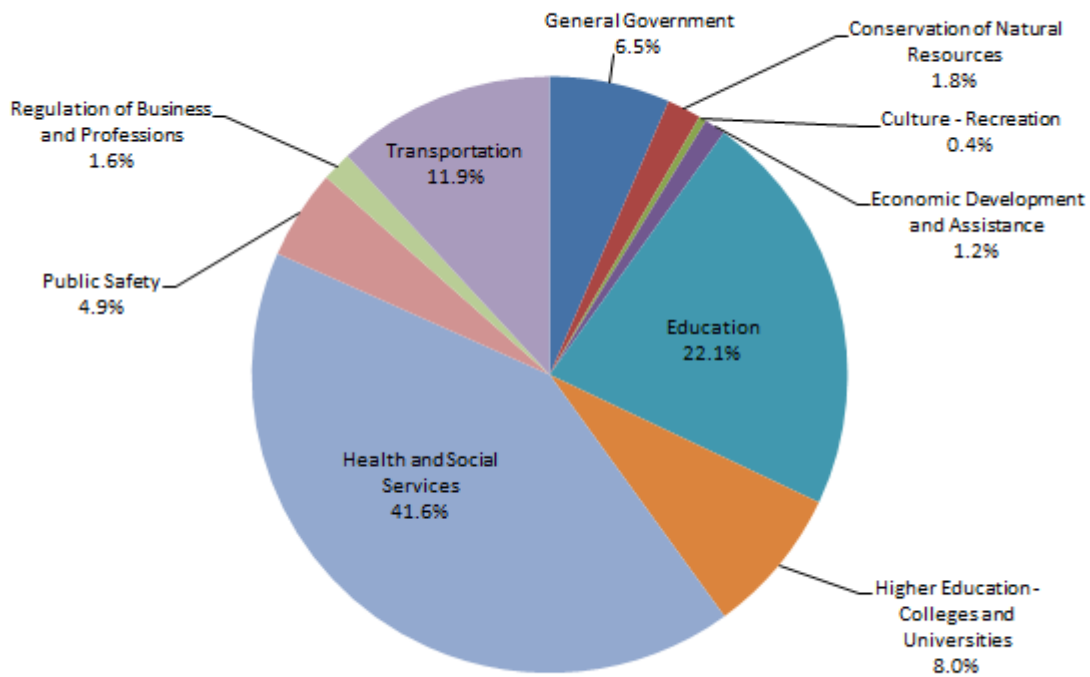
Tax revenues were up \$200 million compared to an increase of \$318 million in 2013. Program revenues decreased 3% from 2013, chiefly due to income from operating grants being down \$82 million. Increases in education, health and social services and transportation expenses contributed to the \$226 million increase in program expenses. The change in Net Position remained stable from 2013 to 2014 compared to the \$222 million increase from 2012 to 2013. While the General Fund has more investments than other programs, it maintains safer investments and actually showed an increase in investment income in 2014 over 2013 of \$39 million, due to the increased invested balance.

STATE OF NEBRASKA
Governmental Activities
As of June 30, 2014

Revenues - Total \$8,212 million



Expenses - Total \$7,747 million



Program expenses, net of revenue, increased by \$326 million in 2014, as shown below:

GOVERNMENTAL ACTIVITIES

(in millions of dollars)

	<u>2014</u>	<u>2013</u>
Program Expenses, Net of Revenue		
General Government	\$ (413)	\$ (371)
Conservation of Natural Resources	(51)	(40)
Culture - Recreation	(7)	(8)
Economic Development and Assistance	(36)	(30)
Education	(1,317)	(1,233)
Higher Education - Colleges and University	(618)	(572)
Health and Social Services	(1,379)	(1,337)
Public Safety	(266)	(235)
Regulation of Business and Professions	11	11
Transportation	(448)	(383)
Interest on Long-Term Debt	(1)	(1)
Subtotal	<u>(4,525)</u>	<u>(4,199)</u>
General Revenues		
Taxes	4,764	4,564
Unrestricted Investment Earnings	223	97
Miscellaneous	3	2
Transfers	38	40
Contributions to Permanent Fund Principal	<u>21</u>	<u>26</u>
Increase (Decrease) in Net Position	<u><u>\$ 524</u></u>	<u><u>\$ 530</u></u>

Four functional areas of the State comprise 84% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. Education expenses were up \$67 million, Health and Social Services was up \$29 million, Higher Education was up \$46 million, and Transportation expenses were up \$61 million. All the other functional areas had small variances in net expenses.

Business-type Activities

The business-type activities increased the State's net position by \$29 million for 2014, which was net of a \$38 million transfer to the governmental activities. Most of the \$308 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of \$11 million in 2014. This gain, when combined with the \$10 million in investment income, produced a \$21 million increase in net position for the Unemployment Insurance Fund. Lottery revenues of \$158 million generated net revenue of \$37 million, which was offset by the \$38 million transfer to the Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. At June 30, 2014, the State's Governmental Funds reported combined ending fund balances of \$3,858 million. Of this amount, \$538 million is nonspendable, either due to its form or legal constraints, and \$1,889 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted by enabling legislation, and public school land lease revenues are included in restricted fund balance. An additional \$843 million of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$47 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining \$541 million is unassigned and available for appropriations.

General Fund

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of \$372 million. However, such refunds payable are \$12 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$1,290 million.

On June 30, 2013, the General Fund had a positive fund balance of \$1,033 million. For 2014 expenditures increased \$211 million from 2013 and revenues increased by \$152 million. The revenues were \$200 million more than expenditures for 2014 while revenues were \$260 million more than expenditures in 2013. The General Fund balance in 2014 increased by \$229 million, after adjusting for transfers in and out of the General Fund, ending with a fund balance of \$1,262 million on June 30, 2014.

Revenues in 2014, significantly more than anticipated, were up \$152 million over 2013 chiefly due to an increase in income tax revenue of \$25 million (a 1% increase) over 2013, an increase in sales and use tax revenue of \$65 million (a 4% increase) over 2013, and an increase in investment income of \$39 million (a 918% an increase) over 2013. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending. A net increase in expenditures was caused chiefly in four areas. Education expenditures increased \$86 million and Higher Education – Colleges and University expenditures increased \$33 million due to increased aid to education, which has been a major initiative of the Governor. General Government expenditures increased \$43 million mainly because Supreme Court hired additional staff and related operational expenditures for juvenile probation and Public Safety expenditures increased \$22 million, mainly due to an increase in payroll for public safety personnel.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General Fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. No such need existed in 2014.

The Cash Reserve Fund was at \$429 million at the beginning of 2013. In 2013 there was a statutory transfer from the Fund to the General Fund of \$78 million and other net transfers in of \$33 million leaving a Cash Reserve Fund balance at June 30, 2013 of \$384 million. In 2014 there was a statutory transfer from the Fund to the General Fund of \$4 million and other net transfers in of \$339 million leaving a Fund balance of \$719 million at June 30, 2014. The Cash Reserve Fund is reflected as committed to economic stabilization on the governmental funds balance sheet.

Other Governmental Funds

Other governmental fund balances totaled \$2,596 million at June 30, 2014. Of this amount, \$536 million is nonspendable, either due to its form or legal constraints, and \$1,889 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$124 million of total fund balance has been committed to specific purposes. The remaining \$47 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$840 million. The non-major special revenue fund balances totaled \$843 million.

Governmental funds other than the General Fund saw an increase in fund balances of \$203 million. The fund balances of the following funds increased: the Highway Fund (\$32 million), the Health and Social Service Fund (\$55 million), the Permanent School Fund (\$95 million), and the other Nonmajor Funds (\$21 million.) The Federal Fund had a slight decrease.

The Highway Fund had a \$60 million increase in sales and use taxes, a \$11 million decrease in federal grants revenue and a \$47 million increase in operating expenses. These changes are why the Highway Fund had a \$32 million increase in its fund balance in 2014 as opposed to a \$7 million decrease in 2013.

The activity in the Federal Fund represents federal funds received, and each year's spending should generally approximate grant funds received. In 2014 there was a decrease in federal grants and contracts of \$74 million and investment income increased \$3 million. Expenditures in 2014 decreased by \$15 million for Education, decreased \$6 million for Conservation of Natural Resources, decreased \$14 million for Economic Development and Assistance, increased \$6 million for Health and Social Services, and decreased \$39 million for Public Safety. Revenues exceeded expenditures by \$8 million before transfers. Transfers out decreased \$2 million in 2014 compared to a an increase of \$6 million in 2013. At the end of 2014 there was a net decrease in the fund of \$1 million, compared to a \$2 million decrease in 2013.

The Health and Social Services Fund consists of the Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund, in addition to various cash funds. Such cash funds receive transfers from such trust funds, income from charges for services and some tax revenue, among other income. The funds had a \$27 million increase in investment income in 2014 (chiefly unrealized gains in the market value of investments) compared to a \$40 million increase in 2013. There was a \$55 million increase in fund balance in 2014, as opposed to a \$38 million increase in 2013.

The Permanent School Fund had a \$22 million increase in revenue, chiefly due to a \$29 million increase in investment income caused by unrealized gains in the market value of investments in 2014, compared to a \$42 million investment income increase in 2013 (when compared to 2012). Expenditures decreased \$3 million in 2014. There was a \$95 million increase in fund balance in 2014, as opposed to a \$71 million increase in 2013, a change of \$24 million.

The Nonmajor Funds revenues remained about the same between 2013 and 2014. Expenditures increased \$3 million in Conservation of Natural Resources and decreased \$10 million in Regulation of Business and Professions. There were \$29 million in net transfers in for the Nonmajor Funds in 2014 versus \$103 million in net transfers in for 2013. As a result, the fund balances increased \$21 million in 2014 as opposed to a \$83 million increase in 2013.

Proprietary Funds

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, reported net position of \$460 million at the end of 2014. This fund's net position increased \$21 million in 2014, because business assessment fees were less than unemployment claims paid out by \$1 million, investment earnings of \$10 million and other changes. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (the fund established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (an

operation that utilizes incarcerated persons to manufacture and sell items) had combined income of \$46 million prior to a \$38 million transfer from the Lottery's net income to governmental funds. Such transfer was used primarily for education and environmental studies. The Excess Liability Fund had an operating income of \$4 million and earned \$4 million in investment earnings for a net position increase of \$8 million.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net position increased \$1,805 million to \$12,541 million in 2014 due to a strong performance by the stock market in 2014. Interest and dividend income in 2014 was \$139 million versus \$137 million in 2013. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$110 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan totaled \$359 million. The total net position in the College Savings Plan now totals over three billion dollars.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

Even though there is a relatively stable economy in the Midwest, in 2014 the State continued to rebound from the effects of the national recession. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to decrease in 2014 by \$40 million over 2013 net tax revenue of \$3,960 million. This forecasted decrease was due to the enactment of LB84, which redirected the revenue generated from one-quarter of one percent of the State's 5.5% sales tax rate beginning July 1, 2013 toward state, county and municipal road construction. Because revenues continued to show an increasing trend during 2014, the State's Forecasting Board made two new forecasts throughout the year. At the end, the forecasted net tax revenues were \$82 million above the original forecast. However, that increased forecast was still less than actual tax revenues of \$4,017 million by \$14 million, leaving the State with actual tax revenues, net of refunds, of \$97 million above the original budget on a budgetary basis. Agencies continued to watch their General Fund expenditures and spent \$307 million less than the final appropriated amount. This reduction, when coupled with the increased tax revenues, caused the State to finish 2014 with General Fund revenues of \$281 million more than expenditures on a budgetary basis, prior to net transfers out. There was a net \$84 million transferred out for specific purposes. The fund balance on a budgetary basis increased from \$1,195 million to \$1,392 million in 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the State had invested \$8.6 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Position and summarized in the table below. Depreciation expense for 2014 totaled \$48 million, compared to \$50 million for 2013.

CAPITAL ASSETS AS OF JUNE 30

(net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 573	\$ 562	\$ -	\$ -	\$ 573	\$ 562
Buildings and Equipment	470	456	7	7	477	463
Infrastructure	7,246	7,078	-	-	7,246	7,078
Subtotal	8,289	8,096	7	7	8,296	8,103
Construction in Progress	301	395	-	-	301	395
Total	\$ 8,590	\$ 8,491	\$ 7	\$ 7	\$ 8,597	\$ 8,498

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative process, referred to as the modified approach. Under this alternative method, the State expenses certain maintenance and preservation costs and does

not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

In assessing the condition of State roads, the State’s goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2013, indicated an overall system rating of 81, a rating that has been very consistent over the past six years.

For 2014, it was estimated that the State needed to spend \$302 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$300 million on roads in 2014, compared to \$335 million in 2013. For 2015, it is estimated that the State needs to spend \$327 million, an increase from actual 2014 and an increase from the average of the previous five years.

The State also spent \$177 million on capitalized infrastructure and land purchases relating to roads in 2014 (\$70 million in 2013), most notably reconstructing (a) Interstate 80 between Omaha and Lincoln, (b) US-370 North, (c) US-34 over Missouri River, (d) US-75 South of Bellevue, and (e) US-10 with I-80 Kearney East bypass interchange. Major land purchases included land purchased near three State highways. At June 30, 2014, the State had contractual commitments of \$647 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 4 to the financial statements.) These commitments are \$19 million less than at June 30, 2013 as a result of new highway construction and repair work being financed by the federal government.

During 2014, the State added \$63 million of new depreciable capital assets, both buildings and equipment. A more detailed analysis of capital assets is shown in Note 4 to the financial statements.

Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 8 and 14 to the financial statements.

CERTAIN LONG-TERM DEBT AS OF JUNE 30
(in millions of dollars)

	GOVERNMENTAL ACTIVITIES	
	2014	2013
Capitalized Leases:	\$ 18	\$ 23

There were no new bonds issued or outstanding in 2014 or 2013. Three new capitalized leases were added in 2014 (two leases were added in 2013). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an Aa2 rating from Moody’s. Standard and Poor’s has issued an AAA rating for the State as a whole.

FACTORS THAT WILL AFFECT THE FUTURE

The state and national economies are improving, which has resulted in forecasted growth in tax receipts. Tax revenues have improved and have exceeded projections during the last year. Net General Fund revenues for 2015 are currently projected to exceed actual 2014 revenues by \$165 million on a nominal basis. The State has a low unemployment rate and has borrowed no money from the federal government for the State's Unemployment Insurance Fund. The Legislature has responded to the market effect on defined benefit retirement plans by enacting legislation that improves both the short-term and long-term funding outlook for these plans.

The State does face a number of challenges in the coming years. National healthcare policy, including increased participation in the Medicaid program and the ongoing increase in healthcare costs present challenges to the State. In addition, the growth in recent years in the prison inmate population presents an additional challenge due to increased operating costs and possible capital asset improvements. There is also a need for continuous monitoring of the school finance formula to ensure sustainable growth in aid to education for K-12 schools, easily the largest General Fund financial commitment annually.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2014, this Fund had a \$719 million balance. A transfer of \$97 million was made from the General Fund in July 2014 as statutorily required. This and other transfers resulted in a balance of \$816 million at November 30, 2014. Future significant statutory disbursements from this fund in the future include \$58 million to be transferred to the Capital Projects Fund. With the improved revenue forecast, the State currently projects an additional \$62 million transfer into the Cash Reserve Fund in July 2015.

CONTACTING THE STATE ACCOUNTING OFFICE

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of Administrative Services, Suite 1309 State Capitol, Lincoln, NE 68509-4664, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units or by going online to their websites. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2111 or online at <http://www.nebraska.edu/administration/business-and-finance/accounting-and-finance.html>. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, Box 94605, Lincoln, NE 68509-4605, (402) 471-2505 or online at <http://www.nscs.edu/>.

BASIC FINANCIAL STATEMENTS





State of Nebraska

STATEMENT OF NET POSITION

June 30, 2014

(Dollars in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
ASSETS				
Cash and Cash Equivalents	\$ 225,112	\$ 428,080	\$ 653,192	\$ 638,205
Receivables, net of allowance				
Taxes	436,652	-	436,652	-
Due from Federal Government	290,808	-	290,808	-
Other	153,809	39,860	193,669	468,271
Internal Balances	(1,254)	1,254	-	-
Investments	3,759,961	124,497	3,884,458	2,215,810
Loans Receivable	279,767	-	279,767	36,114
Investment in Joint Venture	-	-	-	316,599
Other Assets	28,800	3,694	32,494	27,109
Restricted Assets:				
Cash and Cash Equivalents	11,108	-	11,108	535,766
Other	-	2,422	2,422	64,183
Securities Lending Collateral	195,032	5,241	200,273	-
Capital assets:				
Land	572,954	315	573,269	87,680
Infrastructure	7,246,226	-	7,246,226	-
Construction in Progress	300,901	-	300,901	235,686
Land Improvements	-	-	-	225,830
Buildings and Equipment	1,125,686	14,121	1,139,807	2,769,798
Less Accumulated Depreciation	(656,038)	(7,181)	(663,219)	(1,039,680)
Total Capital Assets	8,589,729	7,255	8,596,984	2,279,314
Total Assets	\$ 13,969,524	\$ 612,303	\$ 14,581,827	\$ 6,581,371
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	\$ -	\$ -	\$ -	\$ 6,640
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ 6,640
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 520,966	\$ 18,761	\$ 539,727	\$ 227,139
Tax Refunds Payable	382,605	-	382,605	-
Deposits	8,838	-	8,838	16,127
Unearned Revenue	56,424	2,233	58,657	101,367
Obligations under Securities Lending	195,032	5,241	200,273	-
Noncurrent Liabilities:				
Due within one year	223,313	14,398	237,711	119,774
Due in more than one year	177,953	14,588	192,541	829,026
Total Liabilities	\$ 1,565,131	\$ 55,221	\$ 1,620,352	\$ 1,293,433
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangement receipts	\$ -	\$ -	\$ -	\$ 13,591
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ 13,591
NET POSITION				
Net Investment in Capital Assets	\$ 8,571,554	\$ 7,255	\$ 8,578,809	\$ 1,699,342
Restricted for:				
Education	18,394	-	18,394	2,024,975
Health and Social Services	564,950	-	564,950	-
Conservation of Natural Resources	527,112	-	527,112	-
Transportation	290,488	-	290,488	-
Licensing and Regulation	87,710	-	87,710	-
Other Purposes	143,392	2,422	145,814	342,394
Unemployment Insurance Benefits	-	459,642	459,642	-
Debt Service and Construction	10,498	-	10,498	430,484
Permanent Trusts:				
Nonexpendable	526,502	-	526,502	-
Expendable	262,011	-	262,011	-
Unrestricted	1,401,782	87,763	1,489,545	783,792
Total Net Position	\$ 12,404,393	\$ 557,082	\$ 12,961,475	\$ 5,280,987

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

(Dollars in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government	\$ 507,065	\$ 90,336	\$ 3,883	\$ -	
Conservation of Natural Resources	143,324	34,550	55,066	2,154	
Culture – Recreation	30,532	20,225	2,520	802	
Economic Development and Assistance	89,109	2,529	50,566	-	
Education	1,712,015	46,522	348,376	-	
Higher Education - Colleges and University	618,033	-	-	-	
Health and Social Services	3,226,402	109,740	1,737,660	-	
Public Safety	376,449	33,265	61,449	15,701	
Regulation of Business and Professions	123,879	131,969	3,272	-	
Transportation	919,679	112,175	359,327	-	
Interest on Long-term Debt	627	-	-	-	
Total governmental activities	7,747,114	581,311	2,622,119	18,657	
Business-type activities:					
Unemployment Insurance	122,351	133,665	-	-	
Lottery	121,046	157,896	-	-	
Excess Liability	1,174	5,478	-	-	
Cornhusker State Industries	11,582	11,336	-	-	
Total business-type activities	256,153	308,375	-	-	
Total Primary Government	\$ 8,003,267	\$ 889,686	\$ 2,622,119	\$ 18,657	
COMPONENT UNITS:					
University of Nebraska	\$ 1,989,241	\$ 977,169	\$ 318,692	\$ 12,788	
State Colleges	116,928	45,183	16,033	2,056	
Total Component Units	\$ 2,106,169	\$ 1,022,352	\$ 334,725	\$ 14,844	

General revenues:

- Income Taxes
- Sales and Use Taxes
- Petroleum Taxes
- Excise Taxes
- Business and Franchise Taxes
- Other Taxes
- Unrestricted Investment earnings
- Miscellaneous
- Payments from the State of Nebraska
- Contributions to Permanent Fund Principal
- Transfers
- Total General Revenues and Transfers
- Change in Net Position
- Net Position - Beginning (as restated)
- Net Position - Ending

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (412,846)	\$ -	\$ (412,846)	\$ -
(51,554)	-	(51,554)	-
(6,985)	-	(6,985)	-
(36,014)	-	(36,014)	-
(1,317,117)	-	(1,317,117)	-
(618,033)	-	(618,033)	-
(1,379,002)	-	(1,379,002)	-
(266,034)	-	(266,034)	-
11,362	-	11,362	-
(448,177)	-	(448,177)	-
(627)	-	(627)	-
(4,525,027)	-	(4,525,027)	-
-	11,314	11,314	-
-	36,850	36,850	-
-	4,304	4,304	-
-	(246)	(246)	-
-	52,222	52,222	-
(4,525,027)	52,222	(4,472,805)	-
-	-	-	(680,592)
-	-	-	(53,656)
-	-	-	(734,248)
2,387,039	-	2,387,039	-
1,792,176	-	1,792,176	-
344,335	-	344,335	-
128,281	-	128,281	-
104,366	-	104,366	-
7,579	-	7,579	-
223,246	14,772	238,018	56,666
3,322	2	3,324	559,292
-	-	-	618,033
21,241	-	21,241	-
38,274	(38,274)	-	-
5,049,859	(23,500)	5,026,359	1,233,991
524,832	28,722	553,554	499,743
11,879,561	528,360	12,407,921	4,781,244
\$ 12,404,393	\$ 557,082	\$ 12,961,475	\$ 5,280,987

The accompanying notes are an integral part of the financial statements.

State of Nebraska
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
Assets and Deferred Outflows of Resources							
Assets:							
Cash and Cash Equivalents	\$ 48,065	\$ 8,931	\$ 2,557	\$ 2,885	\$ 1,099	\$ 31,474	\$ 95,011
Cash on Deposit with Fiscal Agents	-	-	-	-	-	11,108	11,108
Investments	1,393,900	275,102	82,192	534,814	736,210	737,743	3,759,961
Securities Lending Collateral	88,070	17,382	5,927	18,170	20,063	45,420	195,032
Receivables, net of allowance							
Taxes	384,254	51,619	-	-	-	779	436,652
Due from Federal Government	3	36,786	253,126	-	-	893	290,808
Loans	-	-	13,251	159	-	266,357	279,767
Other	35,492	5,489	33,192	31,664	33,878	12,283	151,998
Due from Other Funds	70,357	161	157	3,361	-	3,379	77,415
Inventories	942	8,551	524	100	-	325	10,442
Prepaid Items	860	-	11	-	-	75	946
Other	585	-	654	-	13,206	1,330	15,775
Total Assets	2,022,528	404,021	391,591	591,153	804,456	1,111,166	5,324,915
Deferred Outflows of Resources	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 2,022,528	\$ 404,021	\$ 391,591	\$ 591,153	\$ 804,456	\$ 1,111,166	\$ 5,324,915
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 116,956	\$ 83,883	\$ 173,030	\$ 7,196	\$ 46,452	\$ 30,404	\$ 457,921
Tax Refunds Payable	372,369	10,234	-	-	-	2	382,605
Deposits	586	1,410	4,520	420	256	1,646	8,838
Due to Other Funds	51,259	1,465	79,104	293	6	6,236	138,363
Obligations under Securities Lending	88,070	17,382	5,927	18,170	20,063	45,420	195,032
Claims Payable	88,186	-	78,718	-	-	-	166,904
Unearned Revenue	2,959	-	43,973	21	8,982	-	55,935
Total Liabilities	720,385	114,374	385,272	26,100	75,759	83,708	1,405,598
Deferred Inflows of Resources:							
Revenues not yet available	40,385	-	-	20,934	-	-	61,319
Fund Balances:							
Nonspendable:							
Inventories and Prepaid Items	1,802	8,551	535	100	-	400	11,388
Endowment Principal	-	-	-	-	506,987	19,515	526,502
Restricted	-	281,096	5,784	543,398	221,710	837,198	1,889,186
Committed	719,065	-	-	-	-	124,154	843,219
Assigned	-	-	-	621	-	46,191	46,812
Unassigned	540,891	-	-	-	-	-	540,891
Total Fund Balances	1,261,758	289,647	6,319	544,119	728,697	1,027,458	3,857,998
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,022,528	\$ 404,021	\$ 391,591	\$ 591,153	\$ 804,456	\$ 1,111,166	\$ 5,324,915

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2014

(Dollars in Thousands)

Total fund balances for governmental funds	\$ 3,857,998
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	572,954	
Infrastructure	7,246,226	
Construction in progress	300,901	
Other capital assets	1,035,543	
Accumulated depreciation	<u>(592,863)</u>	8,562,761

Certain tax revenues and charges are earned but not available and therefore are unearned in the funds.	61,319
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	61,395
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Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital leases	(380)	
Obligations under other financing arrangements	(5,565)	
Compensated absences	(124,425)	
Net pension obligation	(941)	
Claims and judgments	<u>(7,769)</u>	<u>(139,080)</u>

Net position of governmental activities	\$ <u>12,404,393</u>
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State of Nebraska

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
REVENUES							
Income Taxes	\$ 2,383,717	\$ -	\$ -	\$ 3,538	\$ -	\$ -	2,387,255
Sales and Use Taxes	1,530,416	249,368	-	-	-	4,583	1,784,367
Petroleum Taxes	-	331,114	-	-	6,313	13,221	350,648
Excise Taxes	68,777	-	-	8,496	-	51,008	128,281
Business and Franchise Taxes	82,088	-	-	-	-	22,278	104,366
Other Taxes	(64)	2,542	-	-	-	5,101	7,579
Federal Grants and Contracts	91	344,800	2,264,871	148	-	30,065	2,639,975
Licenses, Fees and Permits	19,007	84,588	630	60,559	1,031	147,074	312,889
Charges for Services	2,732	24,160	4,567	25,343	-	37,652	94,454
Investment Income	34,452	5,989	2,007	66,233	88,164	23,750	220,595
Rental Income	(12)	445	8	367	42,644	22,019	65,471
Surcharge	-	-	-	-	-	50,378	50,378
Other	3,035	3,377	1,420	15,653	15,438	21,578	60,501
Total Revenues	4,124,239	1,046,383	2,273,503	180,337	153,590	428,707	8,206,759
EXPENDITURES							
Current:							
General Government	388,020	-	3,916	-	-	73,882	465,818
Conservation of Natural Resources	35,862	-	35,290	-	-	73,476	144,628
Culture – Recreation	5,741	-	1,901	-	-	23,372	31,014
Economic Development and Assistance	11,860	-	51,788	-	-	25,734	89,382
Education	1,281,773	-	348,984	-	58,289	19,666	1,708,712
Higher Education - Colleges and University	590,459	-	-	-	-	27,574	618,033
Health and Social Services	1,344,217	-	1,744,574	125,520	-	3,061	3,217,372
Public Safety	259,316	-	75,488	-	-	42,282	377,086
Regulation of Business and Professions	3,363	-	3,270	-	-	116,716	123,349
Transportation	3,508	1,004,902	-	-	-	17,213	1,025,623
Capital Projects	-	-	-	-	-	12,164	12,164
Debt Service:							
Principal	-	-	-	-	-	2,110	2,110
Interest	-	-	-	-	-	260	260
Total Expenditures	3,924,119	1,004,902	2,265,211	125,520	58,289	437,510	7,815,551
Excess (Deficiency) of Revenues Over (Under) Expenditures	200,120	41,481	8,292	54,817	95,301	(8,803)	391,208
OTHER FINANCING SOURCES (USES)							
Transfers In	44,665	356	274	1,235	-	80,682	127,212
Transfers Out	(16,354)	(9,350)	(9,787)	(1,582)	-	(51,865)	(88,938)
Proceeds from Other Financing Arrangements	-	-	-	-	-	1,360	1,360
Proceeds from Capital Leases	-	-	-	380	-	-	380
Total Other Financing Sources (Uses)	28,311	(8,994)	(9,513)	33	-	30,177	40,014
Net Change in Fund Balances	228,431	32,487	(1,221)	54,850	95,301	21,374	431,222
FUND BALANCES, JULY 1 (as restated)	1,033,327	257,160	7,540	489,269	633,396	1,006,084	3,426,776
FUND BALANCES, JUNE 30	\$ 1,261,758	\$ 289,647	\$ 6,319	\$ 544,119	\$ 728,697	\$ 1,027,458	\$ 3,857,998

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

(Dollars in Thousands)

Net change in fund balances—total governmental funds **\$ 431,222**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	137,787	
Capital assets sold	(1,190)	
Depreciation expense	<u>(37,476)</u>	99,121

Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:

Other financing arrangements	(1,360)	(1,360)
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Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.

(380)

Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year these amounts consisted of:

Other financing arrangement payments	2,110	
Capital lease payments	<u>1,007</u>	3,117

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.

(8,879)

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Deferred inflows of resources increased by this amount this year.

7,293

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	39	
Decrease in net pension obligation	119	
Increase in claims and judgments	<u>(5,460)</u>	<u>(5,302)</u>

Change in net position of governmental activities **\$ 524,832**

State of Nebraska

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2014

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR	TOTALS	ACTIVITIES -
	INSURANCE	ENTERPRISE		INTERNAL
		FUNDS		SERVICE
				FUNDS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 388,408	\$ 39,672	\$ 428,080	\$ 130,770
Receivables, net of allowance	26,897	12,963	39,860	1,667
Due from Other Funds	-	1,360	1,360	12,983
Inventories	-	3,178	3,178	379
Prepaid Items	-	40	40	1,258
Other	-	476	476	-
Total Current Assets	<u>415,305</u>	<u>57,689</u>	<u>472,994</u>	<u>147,057</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	-	2,422	2,422	-
Long-Term Investments	55,361	69,136	124,497	-
Securities Lending Collateral	3,498	1,743	5,241	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	349	13,772	14,121	90,143
Less Accumulated Depreciation	<u>(349)</u>	<u>(6,832)</u>	<u>(7,181)</u>	<u>(63,175)</u>
Total Capital Assets	-	7,255	7,255	26,968
Total Noncurrent Assets	<u>58,859</u>	<u>80,556</u>	<u>139,415</u>	<u>26,968</u>
Total Assets	<u>\$ 474,164</u>	<u>\$ 138,245</u>	<u>\$ 612,409</u>	<u>\$ 174,025</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,289	\$ 17,472	\$ 18,761	\$ 16,357
Due to Other Funds	-	106	106	502
Capital Lease Obligations	-	-	-	5,675
Claims, Judgments and Compensated Absences	9,728	4,670	14,398	39,950
Unearned Revenue	-	2,233	2,233	489
Total Current Liabilities	<u>11,017</u>	<u>24,481</u>	<u>35,498</u>	<u>62,973</u>
Noncurrent Liabilities:				
Capital Lease Obligations	-	-	-	12,120
Claims, Judgments and Compensated Absences	7	14,581	14,588	37,537
Obligations under Securities Lending	3,498	1,743	5,241	-
Total Noncurrent Liabilities	<u>3,505</u>	<u>16,324</u>	<u>19,829</u>	<u>49,657</u>
Total Liabilities	<u>\$ 14,522</u>	<u>\$ 40,805</u>	<u>\$ 55,327</u>	<u>\$ 112,630</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net Investment in Capital Assets	-	7,255	7,255	9,173
Restricted for:				
Lottery Prizes, Noncurrent	-	2,422	2,422	-
Unemployment Insurance Benefits	459,642	-	459,642	-
Unrestricted	-	87,763	87,763	52,222
Total Net Position	<u>\$ 459,642</u>	<u>\$ 97,440</u>	<u>\$ 557,082</u>	<u>\$ 61,395</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR		ACTIVITIES -
	INSURANCE	ENTERPRISE	TOTALS	INTERNAL
		FUNDS		SERVICE
				FUNDS
OPERATING REVENUES				
Charges for Services	\$ 120,717	\$ 174,710	\$ 295,427	\$ 347,409
Federal	12,923	-	12,923	-
Other	25	-	25	1,301
Total Operating Revenues	133,665	174,710	308,375	348,710
OPERATING EXPENSES				
Personal Services	63	6,093	6,156	36,023
Services and Supplies	439	33,592	34,031	126,767
Lottery Prizes	-	92,821	92,821	-
Unemployment Claims	121,836	-	121,836	-
Insurance Claims	-	814	814	187,262
Depreciation	13	482	495	10,221
Total Operating Expenses	122,351	133,802	256,153	360,273
Operating Income (Loss)	11,314	40,908	52,222	(11,563)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	10,079	4,693	14,772	2,651
Gain (Loss) on Sale of Capital Assets	-	2	2	387
Other	-	-	-	(354)
Total Nonoperating Revenues (Expenses)	10,079	4,695	14,774	2,684
Income (Loss) Before Transfers	21,393	45,603	66,996	(8,879)
Transfers Out	(274)	(38,000)	(38,274)	-
Change in Net Position	21,119	7,603	28,722	(8,879)
NET POSITION, JULY 1 (as restated)	438,523	89,837	528,360	70,274
NET POSITION, JUNE 30	<u>\$ 459,642</u>	<u>\$ 97,440</u>	<u>\$ 557,082</u>	<u>\$ 61,395</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR	TOTALS	ACTIVITIES -
	INSURANCE	ENTERPRISE		INTERNAL
		FUNDS		SERVICE
				FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 128,657	\$ 204,358	\$ 333,015	\$ 23,130
Cash Received from Interfund Charges	-	8,930	8,930	329,583
Cash Received from Federal Government	12,923	-	12,923	-
Cash Paid to Employees	(70)	(6,006)	(6,076)	(35,925)
Cash Paid to Suppliers	(350)	(32,777)	(33,127)	(117,722)
Cash Paid for Lottery Prizes	-	(132,796)	(132,796)	-
Cash Paid for Insurance Claims	(127,292)	(6,327)	(133,619)	(186,243)
Cash Paid for Interfund Services	(10)	(1,120)	(1,130)	(10,493)
Net Cash Flows from Operating Activities	13,858	34,262	48,120	2,330
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(274)	(38,000)	(38,274)	-
Net Cash Flows from Noncapital Financing Activities	(274)	(38,000)	(38,274)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	(389)	(389)	(5,608)
Proceeds from Sale of Capital Assets	-	3	3	1,290
Principal Paid on Capital Leases	-	-	-	(8,704)
Interest Paid on Capital Leases	-	-	-	(354)
Net Cash Flows from Capital and Related Financing Activities	-	(386)	(386)	(13,376)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(122,203)	(122,203)	-
Proceeds from Sale of Investment Securities	(5,660)	122,751	117,091	-
Interest and Dividend Income	10,098	2,273	12,371	2,788
Net Cash Flows from Investing Activities	4,438	2,821	7,259	2,788
Net Increase (Decrease) in Cash and Cash Equivalents	18,022	(1,303)	16,719	(8,258)
CASH AND CASH EQUIVALENTS, JULY 1	370,386	40,975	411,361	139,028
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 388,408	\$ 39,672	\$ 428,080	\$ 130,770

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2014

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
RECONCILIATION OF OPERATING INCOME TO NET CASH				
FLOW FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 11,314	\$ 40,908	\$ 52,222	\$ (11,563)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	13	482	495	10,221
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	7,813	133	7,946	(10)
(Increase) Decrease in Due from Other Funds	-	(634)	(634)	4,274
(Increase) Decrease in Inventories	-	(486)	(486)	46
(Increase) Decrease in Prepaid Items	-	(40)	(40)	23
(Increase) Decrease in Long-Term Deposits	-	(52)	(52)	-
and Accrued Liabilities	206	(407)	(201)	(937)
Increase (Decrease) in Due to Other Funds	-	5	5	(482)
Increase (Decrease) in Claims Payable	(5,488)	(5,513)	(11,001)	1,019
Increase (Decrease) in Unearned Revenue	-	(134)	(134)	(261)
Total Adjustments	2,544	(6,646)	(4,102)	13,893
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 13,858	\$ 34,262	\$ 48,120	\$ 2,330
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 4,790
Change in Fair Value of Investments	-	2,460	2,460	-
Total Noncash Transactions	\$ -	\$ 2,460	\$ 2,460	\$ 4,790

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2014

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents	\$ 7,618	\$ 26,582	\$ 94,739
Investments:			
U.S. Treasury Notes and Bonds	413,156	-	-
U.S. Treasury Bills	4,461	-	-
Government Agency Securities	12,942	-	-
Corporate Bonds	729,276	-	-
International Bonds	222,469	-	-
Equity Securities	1,674,080	-	-
Private Equity	538,088	-	-
Options	(64)	-	-
Mortgages	500,301	-	-
Private Real Estate	277,740	-	-
Adr's, GDRs & Trust	4,173	-	-
Asset Backed Securities	79,059	-	-
Bank Loans	219,675	-	-
Municipal Bonds	34,460	-	-
Commingled Funds	7,648,893	3,407,540	-
Guaranteed Investment Contracts	83,387	-	-
Short Term Investments	423,379	-	-
Total Investments	12,865,475	3,407,540	-
Securities Lending Collateral	311,115	-	-
Receivables:			
Contributions	26,860	-	-
Interest and Dividends	16,505	822	384
Other	468,873	-	716
Total Receivables	512,238	822	1,100
Due from Other Funds	47,357	-	-
Capital Assets:			
Buildings and Equipment	11,440	-	-
Less Accumulated Depreciation	(11,435)	-	-
Total Capital Assets	5	-	-
Other Assets	-	14,390	-
Total Assets	\$ 13,743,808	\$ 3,449,334	\$ 95,839
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 881,615	\$ 6,161	\$ 224
Due to Other Governments	10,048	-	72,058
Deposits	-	935	-
Due to Other Funds	135	9	-
Obligations under Securities Lending	311,115	-	-
Accrued Compensated Absences	355	-	-
Other Liabilities	-	-	23,557
Total Liabilities	\$ 1,203,268	\$ 7,105	\$ 95,839
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -
NET POSITION			
Restricted for:			
Pensions	\$ 12,540,540	\$ -	\$ -
College Savings Plan	-	3,412,299	-
Other Purposes	-	29,930	-
Total Net Position	\$ 12,540,540	\$ 3,442,229	\$ -

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
ADDITIONS		
Contributions:		
Participant Contributions	\$ 233,458	\$ 358,523
Client Contributions	-	89
State Contributions	120,118	-
Political Subdivision Contributions	167,710	-
Court Fees	3,812	-
Total Contributions	<u>525,098</u>	<u>358,612</u>
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	1,808,299	435,427
Interest and Dividend Income	138,715	6,471
Securities Lending Income	2,602	-
Total Investment Income	<u>1,949,616</u>	<u>441,898</u>
Investment Expenses	25,815	15,079
Securities Lending Expenses	498	-
Total Investment Expense	<u>26,313</u>	<u>15,079</u>
Net Investment Income	<u>1,923,303</u>	<u>426,819</u>
Escheat Revenue	-	11,462
Other Additions	312	4,154
Total Additions	<u>2,448,713</u>	<u>801,047</u>
DEDUCTIONS		
Benefits	612,197	230,636
Refunds	17,345	-
Amounts Distributed to Outside Parties	-	11,571
Administrative Expenses	5,156	1,345
Other Deductions	9,153	-
Total Deductions	<u>643,851</u>	<u>243,552</u>
Change in Net Position Restricted for:		
Pensions	1,804,862	-
College Savings Plan	-	554,570
Other Purposes	-	2,925
NET POSITION-BEGINNING OF YEAR	<u>10,735,678</u>	<u>2,884,734</u>
NET POSITION-END OF YEAR	<u>\$ 12,540,540</u>	<u>\$ 3,442,229</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF NET POSITION

COMPONENT UNITS

June 30, 2014

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 610,232	\$ 27,973	\$ 638,205
Receivables, net of allowance			
Loans	34,091	2,023	36,114
Other	464,005	4,266	468,271
Investments	2,163,313	52,497	2,215,810
Investment in Joint Venture	316,599	-	316,599
Other Assets	25,743	1,366	27,109
Restricted Assets:			
Cash and Cash Equivalents	483,986	51,780	535,766
Investments Held by Trustee	64,183	-	64,183
Capital assets:			
Land	86,230	1,450	87,680
Land Improvements	197,686	28,144	225,830
Construction in Progress	202,643	33,043	235,686
Buildings and Equipment	2,563,367	206,431	2,769,798
Less Accumulated Depreciation	(953,750)	(85,930)	(1,039,680)
Total Capital Assets	<u>2,096,176</u>	<u>183,138</u>	<u>2,279,314</u>
Total Assets	<u>\$ 6,258,328</u>	<u>\$ 323,043</u>	<u>\$ 6,581,371</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ 6,589	\$ 51	\$ 6,640
Total Deferred Outflows of Resources	<u>\$ 6,589</u>	<u>\$ 51</u>	<u>\$ 6,640</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 214,288	\$ 12,851	\$ 227,139
Deposits	16,042	85	16,127
Unearned Revenue	99,368	1,999	101,367
Noncurrent Liabilities:			
Due within one year	115,004	4,770	119,774
Due in more than one year	772,666	56,360	829,026
Total Liabilities	<u>\$ 1,217,368</u>	<u>\$ 76,065</u>	<u>\$ 1,293,433</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement receipts	\$ 13,591	\$ -	\$ 13,591
Total Deferred Inflows of Resources	<u>\$ 13,591</u>	<u>\$ -</u>	<u>\$ 13,591</u>
NET POSITION			
Net Investment in Capital Assets	\$ 1,559,636	\$ 139,706	\$ 1,699,342
Restricted for:			
Education	2,024,975	-	2,024,975
Other Purposes	279,252	63,142	342,394
Construction and Debt Service	420,565	9,919	430,484
Permanent Trusts:			
Unrestricted	749,530	34,262	783,792
Total Net Position	<u>\$ 5,033,958</u>	<u>\$ 247,029</u>	<u>\$ 5,280,987</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF ACTIVITIES
COMPONENT UNITS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Expenses:			
Compensation and benefits	\$ 1,246,860	\$ 64,184	\$ 1,311,044
Supplies and materials	287,432	11,663	299,095
Contractual services	139,237	4,308	143,545
Repairs and maintenance	68,132	4,587	72,719
Utilities	33,480	4,513	37,993
Communications	13,819	479	14,298
Depreciation	117,964	7,302	125,266
Scholarships and fellowships	70,195	5,994	76,189
Other	12,122	13,898	26,020
Total Operating Expenses	1,989,241	116,928	2,106,169
Program Revenues:			
Charges for Services	977,169	45,183	1,022,352
Operating Grants and Contributions	318,692	16,033	334,725
Capital Grants and Contributions	12,788	2,056	14,844
Total Program Revenues	1,308,649	63,272	1,371,921
Net (Expense) Revenue	(680,592)	(53,656)	(734,248)
General Revenues:			
Interest and investment earnings	54,758	1,908	56,666
Miscellaneous	552,831	6,461	559,292
Payments from the State of Nebraska	554,707	63,326	618,033
Total General Revenues	1,162,296	71,695	1,233,991
Change in Net Position	481,704	18,039	499,743
Net Position - Beginning (as restated)	4,552,254	228,990	4,781,244
Net Position - Ending	\$ 5,033,958	\$ 247,029	\$ 5,280,987

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

(dollars expressed in thousands)

1. Summary of Significant Accounting Policies

- A. Basis of Presentation.** The accompanying financial statements of the State of Nebraska (the “State”) and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

- B. Reporting Entity.** In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State’s reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

Discretely Presented Component Units. The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State’s financial statements to be misleading. These component units are reported in a separate column in the government-wide financial statements.

Nebraska State College System. The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports may be found on the [State Colleges’](#) website under [Audit Reports](#).

University of Nebraska. The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University’s financial reporting entity also consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Physicians, organized for the purpose of billing medical service fees generated by university clinicians; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the University Technology Development Center, formed for the purpose of supporting the research mission of the University and advance technology transfer globally; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependant on the State, since the Nebraska Legislature controls the budget of the University. Audit reports may be found on the [University’s Accounting and Finance](#) website.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

Related Organizations. The State’s officials are responsible for appointing members of boards of other organizations, but the State’s accountability for these organizations does not extend beyond making these appointments. The Governor appoints the

boards of the following organizations: Nebraska Educational, Health, and Social Services Finance Authority, Nebraska Investment Finance Authority, and Wyuka Cemetery.

- C. Government-wide and Fund Financial Statements.** The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the reporting entity’s non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net Investment in Capital Assets. This category reflects the portion of net position associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Position. This category results when constraints are externally imposed on net position use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net position only when unrestricted net position is insufficient or unavailable.

The Statement of Net Position reports \$2,893,121 of restricted net position, of which \$1,630,050 is restricted by enabling legislation.

Unrestricted Net Position. This category represents net position that does not meet the definition of the preceding two categories. Unrestricted net position often has constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

- D. Basis of Accounting.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except agency funds. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues available if the revenues are collected within 60 days after year end, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying activity takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment insurance taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred inflows of resources.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

General Fund. This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Highway Fund. This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

Federal Fund. This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund.

Health and Social Services Fund. This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

Permanent School Fund. This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from these lands; escheats; unclaimed property and other items provided by law. Net appreciation on investments is not available for expenditure. Income is distributed to public schools.

The State reports the following major enterprise fund:

Unemployment Insurance Fund. This fund accounts for the State's unemployment insurance benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

The State also reports the following fund types:

Governmental Fund Types:

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Capital Projects Fund. Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

Permanent Funds. Reflect transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

Proprietary Fund Types:

Enterprise Funds. Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Funds. These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

Fiduciary Fund Types:

Pension Trust Funds. These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

Private Purpose Trust Funds. These funds account for Unclaimed Property and Nebraska College Savings Plan activity held for private individuals.

Agency Funds. These funds account for assets held by the State pending distribution to other governments and individuals.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents. In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities

(remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2014, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

F. Investments. Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are stated at fair value based on quoted market prices, except guaranteed investment contracts are valued at contract value. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council or other administrative bodies as determined by law.

G. Receivables. Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

H. Inventories. Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of unearned revenue, in the Federal Fund. Commodities are reported at fair values established by the federal government at the date received.

I. Restricted Assets. Assets held by the trustees for the State Revolving Fund and the Master Lease Purchase Program are classified as restricted position on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond and lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

J. Capital Assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Position. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collections are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of \$5 at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially all initial building costs, land, land improvements, and software costing in excess of \$100 are capitalized. Building improvements and renovations in excess of \$100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-20 years

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and

preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980, is reported.

- K. Compensated Employee Absences.** All permanent employees earn sick and vacation leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested vacation leave at a variable rate based on years of service. Generally, accrued vacation leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days (or 180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee's accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

- L. Fund Balance.** In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature (the highest level of decision making authority for the State by passing a legislative bill), such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific purposes, by directive of the Executive Committee of the Legislature or in some cases by legislation. Unrestricted balances are used in the order listed above when expenditures are made which could be used from any of those categories. The State considers restricted balances to have been spent when both restricted and unrestricted fund balance is available.

The State maintains a stabilization fund reported as committed fund balance. The Cash Reserve Fund is part of the General Fund and was established by State Statute to be used as a reserve when the cash balance of the General Fund is insufficient to meet General Fund current obligations and for legislatively mandated transfers to other funds. Additions to the fund are made when actual General Fund revenues exceed certified projections for a fiscal year.

- M. Interfund Activities.** Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Activities that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund activities are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

- N. Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2014 basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State's name.

Deposits. At June 30, 2014, the carrying amounts of the State's deposits were \$81,348 and the bank balances were \$101,661. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer had compensating balance agreements with various banks totaling \$21,975 at June 30, 2014.

Investments. State Statute Section 72-1239.01 authorizes the appointed members of the Nebraska Investment Council to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the State. Certain State entities are also allowed by statute to invest in real estate and other investments.

The investment amounts for some funds presented in the fiduciary fund financial statements reflected audited financial statements for the period ended December 31, 2013. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2014.

The primary government's investments at June 30, 2014 are presented below. All investments are presented by investment type and debt securities are presented with effective duration presented in years.

PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2014

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities				
U.S. Treasury Notes and Bonds	\$ 970,400	4.02	\$ 413,156	5.61
U.S. Treasury Bills	7,191	0.01	4,461	0.14
Government Agency Securities	970,618	3.23	12,942	5.95
Corporate Bonds	1,586,677	4.06	729,276	5.85
International Bonds	11,358	4.58	222,469	7.43
Mortgages	40,075	4.01	500,301	4.03
Asset Backed Securities	4,728	1.29	79,059	1.81
Bank Loans	-	-	219,675	0.18
Commingled Funds	198,506	5.20	884,211	5.22
Municipal Bonds	5,293	10.67	34,460	10.33
Guaranteed Investment Contracts	7,032	2.69	83,387	2.69
Short Term Investments	281,553	0.03	423,379	0.26
	4,083,431		3,606,776	
Other Investments				
Adr's, GDRs & Trust	96		4,173	
Equity Securities	64,953		1,674,080	
Private Equity	57,042		538,088	
Commingled Funds	782,883		10,172,222	
Options	-		(64)	
Private Real Estate	18,304		277,740	
U.S. Treasury Investment Pool	382,801		-	
Less: Component Unit Investment in State Investment Pool	(793,161)		-	
Total Investments	4,596,349		16,273,015	
Securities Lending Short-term Collateral Investment Pool	200,273		311,115	
Total	\$ 4,796,622		\$ 16,584,130	

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price. The State has contracts with investment managers that limit the effective duration to within one year of the effective duration of the benchmark.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer excluding the U.S. government, its agencies or instrumentalities or government sponsored entities is 5 percent and the maximum exposure to a single issuer below investment grade is 3 percent. The minimum credit rating of a derivatives counterparty is A. The primary government's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES INVESTMENTS AT JUNE 30, 2014

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 970,618	\$ -	\$ 925,649	\$ -	\$ -	\$ -	\$ -	44,969
Corporate Bonds	1,586,677	168,705	456,061	855,023	69,260	16,441	4,605	16,582
International Bonds	11,358	-	203	2,389	8,736	30	-	-
Mortgages	40,076	4,932	1,377	858	909	219	711	31,070
Asset Backed Securities	4,728	3,211	892	130	70	-	304	121
Commingled Funds	198,506	-	-	-	-	-	-	198,506
Short Term Investments	281,553	-	-	4,040	-	-	-	277,513
Municipal Bonds	5,293	1,755	1,764	846	770	-	158	-

FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2014

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 11,888	\$ -	\$ 7,345	\$ -	\$ -	\$ 2,567	\$ -	1,976
Corporate Bonds	729,531	45,273	23,762	222,319	234,670	138,396	45,262	19,849
International Bonds	220,678	48,761	56,566	20,580	81,153	6,532	2,474	4,612
Mortgages	495,297	54,801	18,003	7,932	5,188	3,448	618	405,307
Asset Backed Securities	78,385	40,256	17,436	7,378	5,898	2,723	1,849	2,845
Commingled Funds	899,574	-	-	-	-	-	-	899,574
Short Term Investments	460,705	-	-	-	1,675	-	-	459,030
Municipal Bonds	33,695	8,920	11,283	9,367	3,742	383	-	-

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages and non-U.S. sovereign issuers, to 5 percent of the total account.

At June 30, 2014, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent of total investments in Federal Farm Credit Bank (9 percent) and Federal Home Loan Bank (9 percent). At June 30, 2014, fiduciary funds had no investments that exceeded 5 percent or more of total investments.

Securities Lending Transactions. The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives collateral in the form of cash, United States government or government agency obligations, sovereign debt rated A or better, or convertible bonds at least equal in value to the market value of the loaned securities. Securities on loan at year end consisted of United States government obligations, equity securities, corporate bonds, and non-US fixed income. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year. Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations from 35 to 42 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The custodian indemnifies the State against default by the borrower of securities, but does not indemnify against the default by an issuer of a security held in the short term investment funds where cash collateral is invested.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State does not have a formal policy to limit foreign currency risk. Primary Government exposure to foreign currency risk is presented on the following tables.

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOREIGN CURRENCY AT JUNE 30, 2014**

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	\$ 1	\$ 234	\$ 401
Brazilian Real	(209)	212	956
Canadian Dollar	11	1,492	-
Chilean Peso	-	-	269
Columbian Peso	-	-	207
Czech Koruna	-	35	-
Danish Krone	-	161	-
Euro Currency	(12)	10,417	7,640
Hong Kong Dollar	-	208	-
Indian Rupee	-	-	491
Indonesian Rupiah	-	165	-
Japanese Yen	36	3,131	-
Malaysian Ringgit	1	57	-
Mexican Peso	241	394	2,403
New Israeli Sheqel	-	19	-
New Zealand Dollar	-	83	-
Norwegian Krone	-	456	-
Philippine Peso	-	41	686
Polish Zloty	24	-	-
Pound Sterling	11	5,143	-
Singapore Dollar	9	789	-
South African Rand	-	3	-
South Korean Won	7	789	-
Swedish Krona	-	715	-
Swiss Franc	1	3,380	-
Thailand Baht	-	61	-
Total	<u>\$ 121</u>	<u>\$ 27,985</u>	<u>\$ 13,053</u>

FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2014

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	\$ 529	\$ 4,835	\$ 3,995
Brazilian Real	(1,023)	1,007	3,237
Canadian Dollar	256	24,118	8,610
Chilean Peso	-	-	885
Columbian Peso	-	-	713
Czech Koruna	-	759	-
Danish Krone	-	6,311	-
Euro Currency	4,237	406,342	140,927
Hong Kong Dollar	1	22,062	-
Indian Rupee	-	-	1,623
Indonesian Rupiah	114	3,435	-
Japanese Yen	961	156,447	16,832
Malaysian Ringgit	10	1,378	-
Mexican Peso	1,008	4,113	19,678
New Zealand Dollar	-	261	7,305
Norwegian Krone	2	6,891	14,801
Philippine Peso	3	-	2,052
Polish Zloty	5	2,543	-
Pound Sterling	2,239	123,502	27,306
Singapore Dollar	388	15,858	-
South African Rand	86	344	-
South Korean Won	139	20,306	-
Swedish Krona	-	27,324	2,019
Swiss Franc	193	97,183	-
Thailand Baht	-	1,695	-
Turkish Lira	-	605	-
Total	<u>\$ 9,148</u>	<u>\$ 927,319</u>	<u>\$ 249,983</u>

Derivative Financial Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the contract value is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in fair value of derivatives are reflected in Investment Income and the fair value of derivatives at June 30, 2014 is reflected in Investments. The fair value balances and notional amounts of investment derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

DERIVATIVE INVESTMENTS AT JUNE 30, 2014
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Derivative	Fair Value	Change in Fair Value	Notional
Credit Default Swap	\$ 1,544	\$ 252	\$ 22,756
Fixed Income Futures	-	140	131,085
Fixed Income Options	-	425	-
Foreign Currency Options	(36)	80	(11,000)
Futures Options	-	3	-
FX Forwards	28	(203)	23,232
Interest Rate Swap	444	(482)	21,309
Rights	9	(1)	1

DERIVATIVE INVESTMENTS AT JUNE 30, 2014
FIDUCIARY FUND

Derivative	Fair Value	Change in Fair Value	Notional
Credit Default Swap	\$ 6,097	\$ 1,924	\$ 74,554
Fixed Income Futures	-	(1,665)	434,305
Fixed Income Options	-	2,570	-
Foreign Currency Options	(184)	502	(56,700)
Futures Options	52	(181)	1,123
FX Forwards	294	(6,151)	317,437
Interest Rate Swap	(1,625)	(4,679)	115,491
Rights	-	539	-
Warrants	-	-	6

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at June 30, 2014, denotes the market value, with the exception of FX Forwards, which denotes the net realized and unrealized gains and losses recognized during the period. Furthermore, the notional amount for Futures and Options was calculated as contract size times the number of contracts. The State is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Nebraska Investment Council's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The Plans have never failed to access collateral when required.

The aggregate fair value of derivative instruments in asset positions at June 30, 2014, was \$1,507 for Governmental and Business-Type Activities and \$8,982 for the Fiduciary Fund. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. There is no collateral held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is \$10,488. Although the State executes derivative instruments with various counterparties, there is net exposure to credit risk of approximately 94 percent for the Governmental and Business-Type Activities and 75 percent for the Fiduciary Fund, held with three counterparties. The counterparties are rated A or AA.

The State is exposed to interest rate risk on its interest rate swaps. Interest rate swaps are agreements between two counterparties to exchange future cash flows. These are generally fixed versus variable flows, and can be either received or paid. These swaps are used to adjust interest rate and yield curve exposure and substitute for physical securities. Long swap positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure. Counterparty risk is limited to monthly exchanged or netted cash flows. All of the State's interest rate swaps were fixed with a LIBOR (London Interbank Offered Rate) or SIFMA (Securities Industry and Financial Markets Association) reference rate. Foreign currency risk for derivative instruments at June 30, 2014 are as follows:

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2014
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Currency	Swaps	Forward Contracts	Fixed Income Options
Australian Dollar	\$ -	\$ (2)	\$ -
Brazilian Real	(214)	8	-
Euro Currency	(4)	17	9
Japanese Yen	(53)	-	-
Pound Sterling	-	2	-
Mexican Peso	157	3	-
Total	<u>\$ (114)</u>	<u>\$ 28</u>	<u>\$ 9</u>

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2014
FIDUCIARY FUND**

Currency	Swaps	Forward Contracts	Fixed Income Options
Australian Dollar	\$ -	\$ (28)	\$ -
Brazilian Real	(1,167)	-	-
Canadian Dollar	-	165	-
Swiss Franc	-	39	-
Czech Koruna	-	(4)	-
Danish Krone	-	12	-
Euro Currency	(667)	(186)	-
Pound Sterling	-	(108)	-
Indian Rupee	-	(101)	-
Japanese Yen	(304)	198	-
South Korean Won	-	192	-
Mexican Peso	1,026	(42)	-
Malaysian Ringgit	-	183	-
Norwegian Krone	-	393	-
New Zealand Dollar	-	(437)	-
Polish Zloty	-	7	-
Singapore Dollar	-	5	-
Thailand Baht	-	5	-
Total	<u>\$ (1,112)</u>	<u>\$ 293</u>	<u>\$ -</u>

Synthetic Guaranteed Investment Contracts (SGICs). In the fiduciary fund, Defined Contribution Plans, employees are eligible to participate in SGICs. The contracts provided an average crediting rate of 2.93 percent during fiscal year 2014. The fair value of these contracts is \$74,651, and the contract value is \$71,736. The fair value of the wrap contract was \$0. The effective duration and credit rating for the investments underlying the SGICs are presented below. There was no foreign currency risk for the underlying investments.

	EFFECTIVE DURATION	FAIR VALUE	Investments Underlying SGICs Quality Ratings at June 30, 2014					
			AAA	AA	A	BBB	BB	UNRATED
Asset Backed Securities	1.38	\$ 8,652	\$ 8,414	\$ -	\$ 103	\$ -	\$ -	135
Corporate Bonds	3.13	31,513	635	5,357	14,235	10,115	-	1,171
Government Agency Securities	3.04	9,038	-	8,128	267	-	-	643
International Bonds	2.53	1,305	516	789	-	-	-	-
Mortgages	1.91	9,331	4,065	328	161	-	-	4,777
Short Term Investments	-	2,174	-	-	-	-	-	2,174
US Treasury Notes	4.43	12,638	5,643	-	-	-	-	6,995
		<u>\$ 74,651</u>						

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2014 is as follows:

Disclosure Regarding Deposits and Investments:

Total Investments	\$ 21,380,752
Carrying amount of Deposits	81,348
Total	<u>\$ 21,462,100</u>

Statement of Net Position:

Cash and Cash Equivalents	\$ 653,192
Investments	3,884,458
Restricted Cash and Cash Equivalents	11,108
Securities Lending Collateral	200,273

Statement of Fiduciary Net Position:

Cash and Cash Equivalents	128,939
Investments	16,273,015
Securities Lending Collateral	311,115
Total	<u>\$ 21,462,100</u>

3. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2014:

Governmental Activities:

General Fund	\$ 95,628
Federal Fund	9,949
Health and Social Services Fund	5,910
Total Governmental Activities	<u>\$ 111,487</u>

Business-type Activities:

Unemployment Insurance	\$ 8,853
Total Business-type Activities	<u>\$ 8,853</u>

Of the taxes and other receivables, \$40,385 and \$20,934, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred inflows of resources in the General Fund and the Health and Social Services Fund. The majority of the loans receivable balance is not expected to be collected in the next year.

4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 561,967	\$ 11,400	\$ 413	\$ 572,954
Infrastructure	7,077,548	168,678	-	7,246,226
Construction in progress	395,089	70,032	164,220	300,901
Total capital assets, not being depreciated	8,034,604	250,110	164,633	8,120,081
Capital assets, being depreciated:				
Buildings and improvements	617,735	23,612	1,059	640,288
Equipment	465,994	38,692	19,288	485,398
Total capital assets, being depreciated	1,083,729	62,304	20,347	1,125,686
Less accumulated depreciation for:				
Buildings and improvements	269,579	14,647	958	283,268
Equipment	357,420	33,049	17,699	372,770
Total accumulated depreciation	626,999	47,696	18,657	656,038
Total capital assets, being depreciated, net	456,730	14,608	1,690	469,648
Governmental activities capital assets, net	<u>\$ 8,491,334</u>	<u>\$ 264,718</u>	<u>\$ 166,323</u>	<u>\$ 8,589,729</u>
Business-type activities:				
Unemployment Insurance				
Equipment, being depreciated	\$ 355	\$ -	\$ 6	\$ 349
Less accumulated depreciation	342	13	6	349
Total Unemployment Insurance, net	13	(13)	-	-
Nonmajor Enterprise Funds				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	315	-	-	315
Capital assets, being depreciated:				
Buildings and improvements	8,442	-	-	8,442
Equipment	5,239	388	297	5,330
Total capital assets, being depreciated	13,681	388	297	13,772
Less accumulated depreciation for:				
Buildings and improvements	2,267	211	-	2,478
Equipment	4,380	271	297	4,354
Total accumulated depreciation	6,647	482	297	6,832
Total capital assets, being depreciated, net	7,034	(94)	-	6,940
Total Nonmajor Enterprise, net	7,349	(94)	-	7,255
Business-type activities capital assets, net	<u>\$ 7,362</u>	<u>\$ (107)</u>	<u>\$ -</u>	<u>\$ 7,255</u>

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General Government	\$ 18,064
Conservation of Natural Resources	1,392
Culture – Recreation	1,679
Economic Development and Assistance	217
Education	1,593
Health and Social Services	1,566
Public Safety	10,037
Regulation of Business and Professions	771
Transportation	12,377
Total depreciation expense - Governmental activities	<u>\$ 47,696</u>

Construction Commitments. At June 30, 2014, the State had contractual commitments of approximately \$646,767 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 331,443
State funds	307,189
Local funds	8,135
	<u>\$ 646,767</u>

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

5. Interfund Balances

Due To/From Other Funds at June 30, 2014 consists of the following:

DUE FROM	DUE TO								TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Pension Trust	
General Fund	\$ -	\$ 70	\$ 53	\$ 415	\$ 125	\$ 551	\$ 3,397	\$ 46,648	\$ 51,259
Highway Fund	-	-	104	4	119	610	628	-	1,465
Federal Fund	70,352	3	-	2,657	2,920	98	3,074	-	79,104
Health and Social Services	-	2	-	-	7	42	242	-	293
Permanent School Fund	-	-	-	-	-	-	6	-	6
Nonmajor Governmental Funds	5	40	-	285	146	21	5,030	709	6,236
Nonmajor Enterprise Funds	-	11	-	-	2	-	93	-	106
Internal Service Funds	-	35	-	-	60	38	369	-	502
Pension Trust	-	-	-	-	-	-	135	-	135
Private Purpose Trust	-	-	-	-	-	-	9	-	9
TOTALS	<u>\$ 70,357</u>	<u>\$ 161</u>	<u>\$ 157</u>	<u>\$ 3,361</u>	<u>\$ 3,379</u>	<u>\$ 1,360</u>	<u>\$ 12,983</u>	<u>\$ 47,357</u>	<u>\$ 139,115</u>

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature.

Interfund transfers at June 30, 2014 consist of the following:

TRANSFERRED FROM:	TRANSFERRED TO:					TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 16,354	\$ 16,354
Highway Fund	12	-	-	-	9,338	9,350
Federal Fund	-	-	-	-	9,787	9,787
Health & Social Services Fund	1,582	-	-	-	-	1,582
Nonmajor Governmental Funds	43,071	356	-	360	8,078	51,865
Unemployment Fund	-	-	274	-	-	274
Nonmajor Enterprise Funds	-	-	-	875	37,125	38,000
TOTALS	<u>\$ 44,665</u>	<u>\$ 356</u>	<u>\$ 274</u>	<u>\$ 1,235</u>	<u>\$ 80,682</u>	<u>\$ 127,212</u>

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2014 consist of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Insurance	Nonmajor Enterprise Funds	TOTALS
Payroll and Withholdings	\$ 14,055	\$ 4,938	\$ 5,959	\$ 553	\$ -	\$ 3,199	\$ 1,358	\$ 2	\$ 223	\$ 30,287
Payables to Vendors	70,088	63,983	46,959	6,639	41,755	22,460	14,013	1,247	10,203	277,347
Payables to Governments	32,813	14,962	120,112	4	4,697	4,725	317	2	26	177,658
Due to Fiduciary Funds *	-	-	-	-	-	-	47,357	-	-	47,357
Miscellaneous	-	-	-	-	-	20	-	38	7,020	7,078
TOTALS	\$ 116,956	\$ 83,883	\$ 173,030	\$ 7,196	\$ 46,452	\$ 30,404	\$ 63,045	\$ 1,289	\$ 17,472	\$ 539,727

* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Position.

7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2014 are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Claims Payable	\$ 273,702	\$ 1,855,402	\$ 1,881,738	\$ 247,366	\$ 206,469
Capital Lease Obligations	22,716	5,170	9,711	18,175	5,725
Obligations Under Other Financing Arrangements	6,315	1,360	2,110	5,565	780
Compensated Absences	129,288	14,719	14,788	129,219	10,339
Net Pension Obligation	1,060	-	119	941	-
Totals	\$ 433,081	\$ 1,876,651	\$ 1,908,466	\$ 401,266	\$ 223,313
Business-type Activities:					
Unemployment Insurance:					
Claims Payable	\$ 15,216	\$ 121,804	\$ 127,292	\$ 9,728	\$ 9,728
Compensated Absences	13	-	6	7	-
Totals for Unemployment Insurance	15,229	121,804	127,298	9,735	9,728
Nonmajor Enterprise Funds:					
Claims Payable	23,890	814	6,327	18,377	4,603
Compensated Absences	818	122	66	874	67
Totals for Nonmajor Enterprise Funds	24,708	936	6,393	19,251	4,670
Totals for Business-type Activities	\$ 39,937	\$ 122,740	\$ 133,691	\$ 28,986	\$ 14,398

The amount of claims payable reported in the fund financial statements are due and payable at fiscal year end. Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Obligations under other financing arrangements have been liquidated in the special revenue funds.

8. Lease Commitments

Capital and Operating Leases. The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments (principal and interest) and the present value of future minimum payments for capital leases as of June 30, 2014 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2015	\$ 5,924
2016	5,730
2017	4,154
2018	2,217
2019	504
2020-2024	113
Total Minimum Payments	18,642
Less: Interest and executory costs	467
Present value of net minimum payments	<u>\$ 18,175</u>

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2014:

	GOVERNMENTAL ACTIVITIES
Equipment	\$ 30,381
Less: accumulated depreciation	(15,475)
Carrying value	<u>\$ 14,906</u>

The minimum annual lease payments for operating leases as of June 30, 2014 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2015	\$ 7,618
2016	1,912
2017	1,259
2018	1,061
2019	1,052
2020-2024	2,970
2025-2029	371
2030-2034	217
Total	<u>\$ 16,460</u>

Primary Government operating lease payments for the year ended June 30, 2014 totaled \$14,307.

Lessor Transactions. The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2014, the State owned approximately 1.3 million acres of land that was under lease. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of \$49,260 were received under these and other lease agreements for the year ended June 30, 2014.

9. Obligations Under Other Financing Arrangements

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

A summary of the future minimum contractual obligations including interest at rates from 1.45 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$ 780	\$ 220	\$ 1,000
2016	1,350	170	1,520
2017	340	132	472
2018	355	121	476
2019	365	109	474
2020-2024	1,850	309	2,159
2025-2029	525	21	546
Total	<u>\$ 5,565</u>	<u>\$ 1,082</u>	<u>\$ 6,647</u>

10. Governmental Fund Balances

The State's governmental fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are imposed by law through constitutional provisions or are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2014, follows:

Governmental Fund Balances

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Funds
Restricted for:						
Education	\$ -	\$ -	\$ -	\$ -	\$ 221,710	\$ 21,702
Health and Social Services	-	-	-	543,398	-	37,137
Conservation of Natural Resources	-	-	-	-	-	527,112
Transportation	-	281,096	-	-	-	9,845
Licensing and Regulation	-	-	-	-	-	87,710
Economic Development	-	-	-	-	-	45,295
Public Safety	-	-	-	-	-	37,397
Culture – Recreation	-	-	-	-	-	21,520
Other Purposes	-	-	5,784	-	-	38,982
Debt Service	-	-	-	-	-	10,498
Total Restricted	<u>\$ -</u>	<u>\$ 281,096</u>	<u>\$ 5,784</u>	<u>\$ 543,398</u>	<u>\$ 221,710</u>	<u>\$ 837,198</u>
Committed to:						
Economic Stabilization	719,065	-	-	-	-	-
Other Purposes	-	-	-	-	-	124,154
Total Committed	<u>\$ 719,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,154</u>
Assigned to:						
Education	-	-	-	-	-	155
Health and Social Services	-	-	-	621	-	1,402
Licensing and Regulation	-	-	-	-	-	42,788
Economic Development	-	-	-	-	-	49
Public Safety	-	-	-	-	-	486
Culture – Recreation	-	-	-	-	-	60
Other Purposes	-	-	-	-	-	1,251
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 621</u>	<u>\$ -</u>	<u>\$ 46,191</u>

11. Contingencies and Commitments

Grants and Contracts. The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State.

Litigation. The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for all of these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

The State is in non-binding arbitration with Kansas and Colorado relating to water usage in the Republican River Basin. It is alleged that Nebraska is consuming more water than is allowed under the Republican River Compact of 1942. The Special Master issued a final report on November 13, 2013 that recommended judgment be entered against Nebraska and in favor of Kansas in the amount of \$5,500. A \$5,500 liability is recorded in the government-wide financial statements. The case was submitted and is pending decision by the United States Supreme Court.

12. Risk Management

Through Administrative Services, the State maintains insurance and self-insurance programs. Workers' compensation, employee health care, general liability and employee indemnification are generally self-insured. However, the State does carry surety bonds for constitutional officers. Motor vehicle liability is insured with a \$5,000 limit and a \$300 retention per occurrence (the self-insured retention for vehicular pursuit is \$300) and employee dishonesty is insured with a \$11,000 limit with a \$25 deductible per loss. The State maintains money and securities, inside outside premises crime coverage of \$31,000 with a \$25 deductible. The State insures against property damage, maintaining a policy with a \$250,000 limit and a \$200 deductible per occurrence. The State also carries some insurance for personal property damage. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. Administrative Services provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors, but do not include non-incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of \$44,563 at a discounted rate of 2.0 percent (\$5,853).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2014, and 2013, were as follows:

	Fiscal Year	
	2014	2013
Beginning Balance	\$ 71,674	\$ 65,633
Current Year Claims and		
Changes in Estimates	(185,224)	(169,376)
Claim Payments	186,243	175,417
Ending Balance	\$ 72,693	\$ 71,674

13. Pension Plans

Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of eight members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska Counties Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a) and 414(h). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

Basis of Accounting. The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Plan Description and Funding Policy. By State law, there is to be an equitable allocation of expenses among the retirement systems administered by the Board, and all expenses shall be provided from the investment income earned by the various retirement funds. Following is a summary of each of these plans:

State Employees' Retirement. The single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the year ended December 31, 2013.

Participation in the plan is required for all permanent full-time employees upon employment. Each member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent.

As of December 31, 2013, there were 15,644 active members, 6,532 inactive members, and 1,052 retirees or beneficiaries receiving benefits. Members contributed \$32,429 and the State contributed \$50,550 during the year ended December 31, 2013, which was equal to required contributions.

County Employees' Retirement. In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This cost-sharing multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003 elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003 become members of the cash balance benefit. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the year ended December 31, 2013.

Participation in the plan is required of all full-time employees upon employment and of all full-time elected officials upon taking office. Part-time employees may elect voluntary participation upon reaching age 20. Effective April 2011, the age requirement for permanent part time employees decreased to age 18. Part-time elected officials may exercise the option to join. County employees and elected officials contribute four and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with less than 85,000 inhabitants contribute an extra one percent, or a total of five and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with a population in excess of 85,000 inhabitants contribute an extra two percent, or a total of six and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent for the first four and one half percent and 100 percent for the extra one and two percent.

As of December 31, 2013, there were 7,543 active members, 2,645 inactive members, and 384 retirees or beneficiaries receiving benefits. Members contributed \$12,695 and counties contributed \$18,806 during the year ended December 31, 2013, which was equal to required contributions.

School Retirement. The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 270 participating school districts.

All regular public school employees in Nebraska, other than those who have their own retirement plan, are members of the system. The benefits are based on both service and contributions or salary.

The State's contribution is based on an annual actuarial valuation. The employees' contribution is 9.78% of their compensation and the school district's contribution is 101 percent of the employees' contribution.

Judges' Retirement. The Judges' Retirement System is a single-employer defined benefit pension system. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Courts, Workers' Compensation Court, County Courts, and Juvenile Courts. Benefits are based on both service and final average salary. Benefits vest when the judge takes office.

Members' contributions, a portion of court fees collected, and the State's contribution, which is based on an annual actuarial valuation, fund the plan. The judges contribute between one and nine percent of their salary.

State Patrol Retirement. The State Patrol Retirement System is a single-employer defined benefit pension system for officers of the patrol. The benefits are based on a percentage of the final average salary multiplied by years of service, not to exceed 75 percent of the average salary. Participation is mandated upon employment.

Members are required to contribute sixteen percent of their monthly salary, and State Patrol contributes sixteen percent. The State's contribution is based on an annual actuarial valuation.

The following tables provide the schedules of funding progress, which present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits, and the primary actuarial assumptions used in the most recent actuarial reports for the defined benefit plans. Information presented for the cost-sharing plans is for the plan as a whole.

SCHEDULES OF FUNDING PROGRESS						
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL) (Excess of Assets over AAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll
State Cash Balance						
12/31/2013	\$ 1,130,203	\$ 1,139,773	\$ 9,570	99.2%	\$ 535,526	1.8%
12/31/2012	1,009,415	1,077,958	68,543	93.6	500,493	13.7
12/31/2011	743,971	813,286	69,315	91.5	458,827	15.1
County Cash Balance						
12/31/2013	\$ 323,882	\$ 322,994	\$ (888)	100.3%	\$ 206,511	(0.4)%
12/31/2012	281,262	297,573	16,311	94.5	202,786	8.0
12/31/2011	220,663	240,195	19,532	91.9	193,269	10.1
School						
6/30/2014	\$ 8,622,024	\$ 10,426,113	\$ 1,804,089	82.7%	\$ 1,774,680	101.7%
6/30/2013	7,703,085	9,984,899	2,281,814	77.1	1,735,176	131.5
6/30/2012	7,358,964	9,609,157	2,250,193	76.6	1,593,185	141.2
Judges'						
6/30/2014	\$ 144,730	\$ 156,327	\$ 11,597	92.6%	\$ 21,705	53.4%
6/30/2013	130,309	148,582	18,273	87.7	20,100	90.9
6/30/2012	125,928	137,465	11,537	91.6	19,005	60.7
State Patrol						
6/30/2014	\$ 325,967	\$ 401,416	\$ 75,449	81.2%	\$ 25,934	290.9%
6/30/2013	294,468	386,875	92,407	76.1	27,418	337.0
6/30/2012	282,811	362,299	79,488	78.1	25,794	308.2

	STATE CASH BALANCE	COUNTY CASH BALANCE	SCHOOL RETIREMENT	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	12/31/2013	12/31/2013	6/30/2014	6/30/2014	6/30/2014
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar amount, closed	Level dollar amount, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed
Amortization Period	12 years	25 years	26 years	27 years	25 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial Assumptions:					
Investment Rate of Return **	7.75%	7.75%	8.0%	8.0%	8.0%
Projected Salary Increases **	4.0% to 5.4%	4.3% to 8.5%	4.0% to 9.0%	4.0%	4.0%

** Includes assumed inflation of 3.25% per year

YEAR ENDED	THREE - YEAR TREND INFORMATION			PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
	ANNUAL PENSION COST (APC)				
	COUNTIES AND SCHOOLS	STATE	TOTAL		
State Cash Balance					
12/31/2013	\$ -	\$ 32,632	\$ 32,632	120%	\$ -
12/31/2012	-	32,511	32,511	100%	-
12/31/2011	-	31,188	31,188	100%	-
County Cash Balance					
12/31/2013	\$ 11,498	\$ -	\$ 11,498	124%	\$ -
12/31/2012	12,800	-	12,800	100%	-
12/31/2011	11,908	-	11,908	100%	-
School					
6/30/2014	\$ 167,710	\$ 35,613	\$ 203,323	100%	\$ -
6/30/2013	161,923	66,073	227,996	79%	-
6/30/2012	145,582	46,896	192,478	88%	-
Judges'					
6/30/2014	\$ -	\$ 3,906	\$ 3,906	100%	\$ -
6/30/2013	-	3,180	3,180	100%	-
6/30/2012	-	3,484	3,484	100%	-
State Patrol					
6/30/2014	\$ -	\$ 8,651	\$ 8,651	100%	\$ 941
6/30/2013	-	7,404	7,404	78%	1,060
6/30/2012	-	7,730	7,730	100%	1,170

The Net Pension Obligation for the State Patrol Retirement plan decreased by \$119 in 2014. The Annual Pension Cost for the State Patrol Retirement plan was calculated by taking the Annual Required Contribution of \$8,753, adding \$85 interest calculated on the Net Pension Obligation, and subtracting the \$187 adjustment to the Annual Required Contribution.

Equal Retirement Benefit Fund. On January 1, 1984, the Equal Retirement Benefit Fund (ERBF) was created for the State and County Retirement Plans. Each State agency and county participating in the retirement system makes contributions to the fund at least annually, in addition to regular retirement contributions.

Upon retirement, any member with an accumulated account balance based on contributions made prior to January 1, 1984, has the option to convert to an annuity, at which time they are eligible to receive a benefit from the fund. The ERBF benefit is included in the member's regular retirement annuity and is included in the benefit payments reported in the financial statements. The balances of the funds are not included in the financial statements. As of December 31, 2013, there was a balance of \$580 in the State ERBF and a balance of \$367 in the County ERBF.

14. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the State's Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2014, there was no outstanding debt for either of these purposes.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself.

BONDS PAYABLE	INTEREST RATES	BALANCE JUNE 30, 2014
COMPONENT UNITS		
University of Nebraska	0.25%-6.00%	\$ 757,965
Nebraska State Colleges	0.30%-5.25%	55,282
Component Units Total		<u>\$ 813,247</u>

COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$ 46,382	\$ 34,438	\$ 80,820
2016	52,848	33,337	86,185
2017	61,098	31,309	92,407
2018	75,374	29,002	104,376
2019	50,195	25,772	75,967
2020 - 2024	220,955	98,156	319,111
2025 - 2029	137,030	60,228	197,258
2030 - 2034	92,420	31,902	124,322
2035 - 2039	57,650	13,834	71,484
2040 - 2044	19,295	1,702	20,997
Total	<u>\$ 813,247</u>	<u>\$ 359,680</u>	<u>\$ 1,172,927</u>

15. Restatements

The Highway Fund beginning Fund Balance for fiscal years 2014 and 2013 was increased by \$1,675 due to an overstatement of accounts payable in a prior fiscal year. This resulted in an increase in the Governmental Activities Net Position – Beginning on the Statement of Activities of \$1,675.

The Lottery Fund restated their Beginning Net Position due to a \$521 overstatement of accounts payable in 2013. This resulted in an understatement to their Net Position – End of Year. To reflect this restatement in 2014, Business-Type Activities Net Position – Beginning on the Statement of Activities and Non-Major Enterprise Funds Net Position – July 1 on the Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds were both increased by \$521.

Component Units Net Position – Beginning on the Statement of Activities decreased \$6,407. Of this amount, \$5,716 was due to University of Nebraska's implementation of GASB Statement No. 65. The remaining \$691 decrease in Net Position was in State Colleges. The implementation of GASB Statement No. 65 resulted in a \$481 decrease in Net Position for State Colleges. In fiscal year 2013, errors in the accrual of some liabilities and assets decreased State Colleges Net Position by \$210.



REQUIRED SUPPLEMENTARY INFORMATION



State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2014

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	\$ 3,920,662	\$ 4,002,975	\$ 4,017,383	\$ 14,408
Federal Grants and Contracts	120	120	120	-
Sales and Charges	21,137	21,137	21,137	-
Other	33,421	33,421	33,421	-
Total Revenues	3,975,340	4,057,653	4,072,061	14,408
EXPENDITURES				
Current:				
General Government	288,570	291,469	267,307	24,162
Conservation of Natural Resources	50,815	50,341	35,843	14,498
Culture – Recreation	7,330	8,032	5,624	2,408
Economic Development and Assistance	22,951	22,951	11,613	11,338
Education	1,867,530	1,865,862	1,827,015	38,847
Health and Social Services	1,575,331	1,565,735	1,386,773	178,962
Public Safety	276,890	281,532	250,247	31,285
Regulation of Business and Professions	4,760	4,760	3,509	1,251
Transportation	-	3,600	3,508	92
Capital Projects	4,265	4,383	-	4,383
Total Expenditures	4,098,442	4,098,665	3,791,439	307,226
Excess (Deficiency) of Revenues Over (Under) Expenditures	(123,102)	(41,012)	280,622	321,634
OTHER FINANCING SOURCES (USES)				
Transfers In	387,286	387,286	387,286	-
Transfers Out	(471,524)	(471,524)	(471,524)	-
Other	205	205	205	-
Total Other Financing Sources (Uses)	(84,033)	(84,033)	(84,033)	-
Net Change in Fund Balance	(207,135)	(125,045)	196,589	321,634
FUND BALANCES, JULY 1	1,195,351	1,195,351	1,195,351	-
FUND BALANCES, JUNE 30	<u>\$ 988,216</u>	<u>\$ 1,070,306</u>	<u>\$ 1,391,940</u>	<u>\$ 321,634</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the

General Fund as of June 30, 2014, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2014

General	\$ 672,875
Cash Reserve	719,065
Budgetary fund balances	1,391,940
DIFFERENCES DUE TO BASIS OF ACCOUNTING:	
Record State contributions due pension funds	(46,645)
Record claims payable	(88,186)
Record other net accrued receivables and liabilities	4,649
GAAP fund balance, June 30, 2014	<u>\$ 1,261,758</u>

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION **BUDGETARY COMPARISON SCHEDULE** **CASH FUNDS**

For the Year Ended June 30, 2014

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	\$ 157,046	\$ 157,046	\$ 157,046	\$ -
Federal Grants and Contracts	429,070	429,070	429,070	-
Sales and Charges	583,422	583,422	583,422	-
Other	195,808	195,808	195,808	-
Total Revenues	<u>1,365,346</u>	<u>1,365,346</u>	<u>1,365,346</u>	<u>-</u>
EXPENDITURES				
Current:				
General Government	193,019	197,617	185,297	12,320
Conservation of Natural Resources	128,913	133,530	78,575	54,955
Culture – Recreation	32,088	32,198	23,120	9,078
Economic Development and Assistance	76,429	80,022	25,212	54,810
Education	623,458	633,731	481,231	152,500
Health and Social Services	174,300	174,444	128,216	46,228
Public Safety	52,098	52,066	35,255	16,811
Regulation of Business and Professions	162,763	163,075	116,465	46,610
Transportation	916,717	946,717	782,915	163,802
Capital Projects	53,662	53,531	20,607	32,924
Total Expenditures	<u>2,413,447</u>	<u>2,466,931</u>	<u>1,876,893</u>	<u>590,038</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,048,101)</u>	<u>(1,101,585)</u>	<u>(511,547)</u>	<u>590,038</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,156,404	1,156,404	1,156,404	-
Transfers Out	(567,535)	(567,535)	(567,535)	-
Other	2,821	2,821	2,821	-
Total Other Financing Sources (Uses)	<u>591,690</u>	<u>591,690</u>	<u>591,690</u>	<u>-</u>
Net Change in Fund Balance	(456,411)	(509,895)	80,143	590,038
FUND BALANCES, JULY 1	<u>1,030,976</u>	<u>1,030,976</u>	<u>1,030,976</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 574,565</u>	<u>\$ 521,081</u>	<u>\$ 1,111,119</u>	<u>\$ 590,038</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2014, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2014

Cash	\$ 1,111,119
Construction	92,892
Federal	78,010
Revolving	368,256
Budgetary fund balances	1,650,277
Unbudgeted fund balances	1,895,277
Non-major fund balances	(1,320,232)
Differences due to basis of accounting	(656,540)
GAAP fund balance, June 30, 2014	<u>\$ 1,568,782</u>
Actual Fund Balances of Major Funds, June 30, 2014	
Highway	\$ 289,647
Federal	6,319
Health and Social Services	544,119
Permanent School	728,697
GAAP fund balance, June 30, 2014	<u>\$ 1,568,782</u>

See independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

CONSTRUCTION FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	1,930	1,930	1,930	-
Total Revenues	1,930	1,930	1,930	-
EXPENDITURES				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	99,728	99,728	20,044	79,684
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	56,806	56,806	1,994	54,812
Total Expenditures	156,534	156,534	22,038	134,496
Excess (Deficiency) of Revenues Over (Under) Expenditures	(154,604)	(154,604)	(20,108)	134,496
OTHER FINANCING SOURCES (USES)				
Transfers In	8,000	8,000	8,000	-
Transfers Out	-	-	-	-
Other	-	-	-	-
Total Other Financing Sources (Uses)	8,000	8,000	8,000	-
Net Change in Fund Balance	(146,604)	(146,604)	(12,108)	134,496
FUND BALANCES, JULY 1	105,000	105,000	105,000	-
FUND BALANCES, JUNE 30	\$ (41,604)	\$ (41,604)	\$ 92,892	\$ 134,496

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	2,532,059	2,532,059	2,532,059	-
Sales and Charges	19,634	19,634	19,634	-
Other	5,755	5,755	5,755	-
Total Revenues	<u>2,557,448</u>	<u>2,557,448</u>	<u>2,557,448</u>	<u>-</u>
EXPENDITURES				
Current:				
General Government	6,584	6,875	3,971	2,904
Conservation of Natural Resources	53,322	54,481	47,145	7,336
Culture – Recreation	3,533	3,918	2,008	1,910
Economic Development and Assistance	96,628	118,310	54,048	64,262
Education	1,039,495	1,045,628	846,531	199,097
Health and Social Services	1,909,706	1,911,846	1,513,546	398,300
Public Safety	173,093	199,133	91,476	107,657
Regulation of Business and Professions	8,514	7,961	3,274	4,687
Transportation	-	-	-	-
Capital Projects	144	-	-	-
Total Expenditures	<u>3,291,019</u>	<u>3,348,152</u>	<u>2,561,999</u>	<u>786,153</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(733,571)</u>	<u>(790,704)</u>	<u>(4,551)</u>	<u>786,153</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	34,149	34,149	34,149	-
Transfers Out	(34,838)	(34,838)	(34,838)	-
Other	(225)	(225)	(225)	-
Total Other Financing Sources (Uses)	<u>(914)</u>	<u>(914)</u>	<u>(914)</u>	<u>-</u>
Net Change in Fund Balance	(734,485)	(791,618)	(5,465)	786,153
FUND BALANCES, JULY 1	<u>83,475</u>	<u>83,475</u>	<u>83,475</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ (651,010)</u>	<u>\$ (708,143)</u>	<u>\$ 78,010</u>	<u>\$ 786,153</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

REVOLVING FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	2,131	2,131	2,131	-
Sales and Charges	556,714	556,714	556,714	-
Other	182,806	182,806	182,806	-
Total Revenues	741,651	741,651	741,651	-
EXPENDITURES				
Current:				
General Government	230,674	239,812	192,098	47,714
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	562	562	561	1
Education	629,938	706,338	530,347	175,991
Health and Social Services	-	-	-	-
Public Safety	21,564	21,564	14,150	7,414
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	882,738	968,276	737,156	231,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(141,087)	(226,625)	4,495	231,120
OTHER FINANCING SOURCES (USES)				
Transfers In	110,566	110,566	110,566	-
Transfers Out	(128,223)	(128,223)	(128,223)	-
Other	2,375	2,375	2,375	-
Total Other Financing Sources (Uses)	(15,282)	(15,282)	(15,282)	-
Net Change in Fund Balance	(156,369)	(241,907)	(10,787)	231,120
FUND BALANCES, JULY 1	379,043	379,043	379,043	-
FUND BALANCES, JUNE 30	\$ 222,674	\$ 137,136	\$ 368,256	\$ 231,120

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type, so the General Fund is the only major fund that has a budget.

General Fund. To account for activities funded by general tax dollars, primarily sales and income taxes.

Cash Reserve Fund. This is part of the General Fund, and is used to account for financial resources to be used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations. The Cash Reserve Fund is part of the budgetary basis fund balance.

Cash Funds. To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

Construction Funds. To account for financial resources to be used for the acquisition or construction of major capital facilities.

Federal Funds. To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway monies accounted for in the Cash Funds.

Revolving Funds. To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

Trust Funds. To account for assets held in a trustee capacity.

Distributive Funds. To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2014, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2014, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

For the Year Ended June 30, 2014

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Measurement Scale

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement’s surface distresses. Surface distresses include cracking, patching, roughness, rutting, and faulting.

Established Condition Level

It is the policy of the Nebraska Department of Roads to maintain at least an overall NSI system rating of 72 or above.

Assessed Condition

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Very Good”, “Good”, “Fair”, and “Poor”. This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

<u>Calendar Year</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Very Good	39%	36%	33%	31%	32%	32%
Good	35%	38%	41%	44%	47%	47%
Fair	23%	23%	23%	22%	19%	19%
Poor	3%	3%	3%	3%	2%	2%
Overall System Rating	81	81	80	80	81	82

Estimated and Actual Costs to Maintain

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). The actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 81 actual).

<u>Fiscal Year</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Estimated	\$ 327	\$ 302	\$ 313	\$ 288	\$ 267	\$ 211
Actual		300	335	278	218	270
Difference		(2)	22	(10)	(49)	59

COMBINING FINANCIAL STATEMENTS





NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Licensing and Regulation. This fund accounts for all activities of agencies, boards, and commissions whose primary function is licensing individuals and regulating industry and professions. This includes a diverse group of professions such as abstracters, medical professions, barbers, engineers, architects and accountants.

Economic Development. This fund accounts for activities to develop and promote the growth of industry, agriculture, commerce and tourism, and utilization of resources within Nebraska.

Airport Development. This fund accounts for the activities relating to aircraft fuels tax, which is administered by the Department of Aeronautics for the support and maintenance of public airports.

Game and Parks. This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

Environmental Quality. This fund accounts for the activities related to the Department of Environmental Quality, which is responsible for the protection of Nebraska's air, land, and water resources.

Energy Conservation. This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, and administering and distributing federal funds provided to the State in the area of energy efficiency.

Other Special Revenue. This fund accounts for various other revenues that must be used for specific purposes.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Aeronautics Trust Fund. This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

Nebraska Veterans' Aid Fund. This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

Permanent Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

Agriculture Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the College of Agriculture and Natural Resources.

Other Permanent Funds. Normal School Endowment and Miscellaneous Permanent Trust.

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
Assets and Deferred Outflows of Resources				
Assets:				
Cash and Cash Equivalents	\$ 25,751	\$ 3,894	\$ 1,829	\$ 31,474
Cash on Deposit with Fiscal Agents	11,108	-	-	11,108
Investments	557,502	121,715	58,526	737,743
Securities Lending Collateral	34,855	7,690	2,875	45,420
Receivables, net of allowance				
Taxes	779	-	-	779
Due from Federal Government	893	-	-	893
Loans	266,357	-	-	266,357
Other	8,968	784	2,531	12,283
Due from Other Funds	3,379	-	-	3,379
Inventories	325	-	-	325
Prepaid Items	75	-	-	75
Other	1,330	-	-	1,330
Total Assets	<u>911,322</u>	<u>134,083</u>	<u>65,761</u>	<u>1,111,166</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 911,322</u>	<u>\$ 134,083</u>	<u>\$ 65,761</u>	<u>\$ 1,111,166</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 25,488	\$ 1,846	\$ 3,070	\$ 30,404
Tax Refunds Payable	2	-	-	2
Deposits	1,646	-	-	1,646
Due to Other Funds	6,233	3	-	6,236
Obligations under Securities Lending	34,855	7,690	2,875	45,420
Total Liabilities	<u>68,224</u>	<u>9,539</u>	<u>5,945</u>	<u>83,708</u>
Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable:				
Inventories and Prepaid Items	400	-	-	400
Endowment Principal	-	-	19,515	19,515
Restricted for:				
Education	18,394	-	3,308	21,702
Health and Social Services	618	-	36,519	37,137
Conservation of Natural Resources	527,112	-	-	527,112
Transportation	9,392	-	453	9,845
Licensing and Regulation	87,710	-	-	87,710
Economic Development	45,295	-	-	45,295
Public Safety	37,397	-	-	37,397
Culture – Recreation	21,520	-	-	21,520
Other Purposes	38,571	390	21	38,982
Debt Service	10,498	-	-	10,498
Committed to:				
Other Purposes	-	124,154	-	124,154
Assigned to:				
Education	155	-	-	155
Health and Social Services	1,402	-	-	1,402
Licensing and Regulation	42,788	-	-	42,788
Economic Development	49	-	-	49
Public Safety	486	-	-	486
Culture – Recreation	60	-	-	60
Other Purposes	1,251	-	-	1,251
Total Fund Balances	<u>843,098</u>	<u>124,544</u>	<u>59,816</u>	<u>1,027,458</u>
Total Liabilities, Deferred Outflows of Resources and Fund Balances	<u>\$ 911,322</u>	<u>\$ 134,083</u>	<u>\$ 65,761</u>	<u>\$ 1,111,166</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
REVENUES				
Sales and Use Taxes	\$ 4,583	\$ -	\$ -	\$ 4,583
Petroleum Taxes	13,221	-	-	13,221
Excise Taxes	41,845	9,163	-	51,008
Business and Franchise Taxes	22,278	-	-	22,278
Other Taxes	5,101	-	-	5,101
Federal Grants and Contracts	30,065	-	-	30,065
Licenses, Fees and Permits	147,074	-	-	147,074
Charges for Services	37,658	(6)	-	37,652
Investment Income	14,072	2,917	6,761	23,750
Rental Income	13,798	8,221	-	22,019
Surcharge	50,378	-	-	50,378
Other	21,578	-	-	21,578
Total Revenues	<u>401,651</u>	<u>20,295</u>	<u>6,761</u>	<u>428,707</u>
EXPENDITURES				
Current:				
General Government	73,882	-	-	73,882
Conservation of Natural Resources	73,476	-	-	73,476
Culture – Recreation	23,372	-	-	23,372
Economic Development and Assistance	25,734	-	-	25,734
Education	19,565	-	101	19,666
Higher Education - Colleges and University	-	27,574	-	27,574
Health and Social Services	1,836	-	1,225	3,061
Public Safety	42,282	-	-	42,282
Regulation of Business and Professions	116,716	-	-	116,716
Transportation	17,210	-	3	17,213
Capital Projects	-	12,164	-	12,164
Debt Service:				
Principal	2,110	-	-	2,110
Interest	260	-	-	260
Total Expenditures	<u>396,443</u>	<u>39,738</u>	<u>1,329</u>	<u>437,510</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,208</u>	<u>(19,443)</u>	<u>5,432</u>	<u>(8,803)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	72,682	8,000	-	80,682
Transfers Out	(51,697)	-	(168)	(51,865)
Proceeds from Other Financing Arrangements	1,360	-	-	1,360
Total Other Financing Sources (Uses)	<u>22,345</u>	<u>8,000</u>	<u>(168)</u>	<u>30,177</u>
Net Change in Fund Balances	27,553	(11,443)	5,264	21,374
FUND BALANCES, JULY 1	<u>815,545</u>	<u>135,987</u>	<u>54,552</u>	<u>1,006,084</u>
FUND BALANCES, JUNE 30	<u>\$ 843,098</u>	<u>\$ 124,544</u>	<u>\$ 59,816</u>	<u>\$ 1,027,458</u>

State of Nebraska

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2014

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
Assets and Deferred Outflows of Resources			
Assets:			
Cash and Cash Equivalents	\$ 4,265	\$ 1,369	\$ 7,573
Cash on Deposit with Fiscal Agents	-	-	-
Investments	128,502	41,872	-
Securities Lending Collateral	8,119	2,646	-
Receivables, net of allowance:			
Taxes	643	-	130
Due from Federal Government	-	-	-
Loans	-	144	2,074
Other	1,967	1,317	96
Due from Other Funds	17	-	55
Inventories	-	-	-
Prepaid Items	3	-	3
Other	-	1,285	-
Total Assets	<u>143,516</u>	<u>48,633</u>	<u>9,931</u>
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 143,516</u>	<u>\$ 48,633</u>	<u>\$ 9,931</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 5,552	\$ 1,620	\$ 525
Tax Refunds Payable	2	-	-
Deposits	349	1,285	-
Due to Other Funds	359	24	11
Obligations under Securities Lending	8,119	2,646	-
Total Liabilities	<u>14,381</u>	<u>5,575</u>	<u>536</u>
Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable:			
Inventories and Prepaid Items	3	-	3
Restricted for:			
Education	-	-	-
Health and Social Services	-	-	-
Conservation of Natural Resources	-	-	-
Transportation	-	-	9,392
Licensing and Regulation	87,621	-	-
Economic Development	-	43,009	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Debt Service	-	-	-
Assigned to:			
Education	-	-	-
Health and Social Services	-	-	-
Licensing and Regulation	41,511	-	-
Economic Development	-	49	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Total Fund Balances	<u>129,135</u>	<u>43,058</u>	<u>9,395</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 143,516</u>	<u>\$ 48,633</u>	<u>\$ 9,931</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 3,041	\$ 5,000	\$ 554	\$ 3,949	\$ 25,751
-	10,498	-	610	11,108
83,158	156,197	17,162	130,611	557,502
5,202	9,869	1,084	7,935	34,855
-	6	-	-	779
784	-	-	109	893
-	244,955	19,119	65	266,357
1,781	1,004	108	2,695	8,968
1,679	-	-	1,628	3,379
-	-	-	325	325
56	-	-	13	75
-	-	-	45	1,330
95,701	427,529	38,027	147,985	911,322
-	-	-	-	-
\$ 95,701	\$ 427,529	\$ 38,027	\$ 147,985	\$ 911,322
\$ 7,892	\$ 278	\$ 1,167	\$ 8,454	\$ 25,488
-	-	-	-	2
-	-	-	12	1,646
243	3	5	5,588	6,233
5,202	9,869	1,084	7,935	34,855
13,337	10,150	2,256	21,989	68,224
-	-	-	-	-
56	-	-	338	400
-	-	-	18,394	18,394
-	-	-	618	618
69,396	406,881	35,771	15,064	527,112
-	-	-	-	9,392
-	-	-	89	87,710
-	-	-	2,286	45,295
-	-	-	37,397	37,397
12,912	-	-	8,608	21,520
-	-	-	38,571	38,571
-	10,498	-	-	10,498
-	-	-	155	155
-	-	-	1,402	1,402
-	-	-	1,277	42,788
-	-	-	-	49
-	-	-	486	486
-	-	-	60	60
-	-	-	1,251	1,251
82,364	417,379	35,771	125,996	843,098
\$ 95,701	\$ 427,529	\$ 38,027	\$ 147,985	\$ 911,322

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
REVENUES			
Sales and Use Taxes	\$ -	\$ 4,583	\$ -
Petroleum Taxes	10,927	529	1,401
Excise Taxes	11,878	20,963	-
Business and Franchise Taxes	4,690	132	-
Other Taxes	-	-	-
Federal Grants and Contracts	20	-	14,527
Licenses, Fees and Permits	67,835	164	13
Charges for Services	2,449	176	556
Investment Income	3,323	978	144
Rental Income	-	-	605
Surcharge	50,378	-	-
Other	10,101	313	18
Total Revenues	<u>161,601</u>	<u>27,838</u>	<u>17,264</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	24,645	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	115,788	-	-
Transportation	-	-	17,210
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>115,788</u>	<u>24,645</u>	<u>17,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>45,813</u>	<u>3,193</u>	<u>54</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,500	2,739	168
Transfers Out	(39,519)	(278)	-
Proceeds from Other Financing Arrangements	-	-	-
Total Other Financing Sources (Uses)	<u>(38,019)</u>	<u>2,461</u>	<u>168</u>
Net Change in Fund Balances	7,794	5,654	222
FUND BALANCES, JULY 1	<u>121,341</u>	<u>37,404</u>	<u>9,173</u>
FUND BALANCES, JUNE 30	<u>\$ 129,135</u>	<u>\$ 43,058</u>	<u>\$ 9,395</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 4,583
-	-	300	64	13,221
1,309	2,558	-	5,137	41,845
-	2,017	-	15,439	22,278
-	-	-	5,101	5,101
10,733	-	-	4,785	30,065
25,930	6,211	11	46,910	147,074
2,962	-	48	31,467	37,658
2,144	3,292	390	3,801	14,072
11,685	-	-	1,508	13,798
-	-	-	-	50,378
642	4,819	30	5,655	21,578
<u>55,405</u>	<u>18,897</u>	<u>779</u>	<u>119,867</u>	<u>401,651</u>
-	-	-	73,882	73,882
55,155	8,058	409	9,854	73,476
21,138	-	-	2,234	23,372
-	-	-	1,089	25,734
-	-	-	19,565	19,565
-	-	-	1,836	1,836
-	-	-	42,282	42,282
-	-	-	928	116,716
-	-	-	-	17,210
-	2,110	-	-	2,110
-	260	-	-	260
<u>76,293</u>	<u>10,428</u>	<u>409</u>	<u>151,670</u>	<u>396,443</u>
<u>(20,888)</u>	<u>8,469</u>	<u>370</u>	<u>(31,803)</u>	<u>5,208</u>
16,776	9,787	-	41,712	72,682
-	(130)	-	(11,770)	(51,697)
-	1,360	-	-	1,360
<u>16,776</u>	<u>11,017</u>	<u>-</u>	<u>29,942</u>	<u>22,345</u>
(4,112)	19,486	370	(1,861)	27,553
<u>86,476</u>	<u>397,893</u>	<u>35,401</u>	<u>127,857</u>	<u>815,545</u>
<u>\$ 82,364</u>	<u>\$ 417,379</u>	<u>\$ 35,771</u>	<u>\$ 125,996</u>	<u>\$ 843,098</u>

State of Nebraska

COMBINING BALANCE SHEET

NONMAJOR PERMANENT FUNDS

June 30, 2014

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
Assets and Deferred Outflows of Resources						
Assets:						
Cash and Cash Equivalents	\$ -	\$ 1,330	\$ 376	\$ 110	\$ 13	\$ 1,829
Investments	6,610	47,697	1,220	2,686	313	58,526
Securities Lending Collateral	1,549	1,218	31	69	8	2,875
Other Receivables, net of allowance	38	2,288	61	129	15	2,531
Total Assets	8,197	52,533	1,688	2,994	349	65,761
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 8,197	\$ 52,533	\$ 1,688	\$ 2,994	\$ 349	\$ 65,761
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 2,796	\$ 79	\$ 174	\$ 21	\$ 3,070
Obligations under Securities Lending	1,549	1,218	31	69	8	2,875
Total Liabilities	1,549	4,014	110	243	29	5,945
Deferred Inflows of Resources	-	-	-	-	-	-
Fund Balances:						
Nonspendable:						
Endowment Principal	6,195	12,000	503	722	95	19,515
Restricted for:						
Education	-	-	1,075	2,029	204	3,308
Health and Social Services	-	36,519	-	-	-	36,519
Transportation	453	-	-	-	-	453
Other Purposes	-	-	-	-	21	21
Total Fund Balances	6,648	48,519	1,578	2,751	320	59,816
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,197	\$ 52,533	\$ 1,688	\$ 2,994	\$ 349	\$ 65,761

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
REVENUES						
Investment Income	\$ 173	\$ 6,046	\$ 161	\$ 341	\$ 40	\$ 6,761
Total Revenues	173	6,046	161	341	40	6,761
EXPENDITURES						
Education	-	-	29	64	8	101
Health and Social Services	-	1,225	-	-	-	1,225
Transportation	3	-	-	-	-	3
Total Expenditures	3	1,225	29	64	8	1,329
Excess (Deficiency) of Revenues Over (Under) Expenditures	170	4,821	132	277	32	5,432
OTHER FINANCING SOURCES (USES)						
Transfers Out	(168)	-	-	-	-	(168)
Net Change in Fund Balances	2	4,821	132	277	32	5,264
FUND BALANCES, JULY 1	6,646	43,698	1,446	2,474	288	54,552
FUND BALANCES, JUNE 30	<u>\$ 6,648</u>	<u>\$ 48,519</u>	<u>\$ 1,578</u>	<u>\$ 2,751</u>	<u>\$ 320</u>	<u>\$ 59,816</u>



NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

Lottery Fund. This fund accounts for all receipts and expenses from the operations of the State Lottery.

Excess Liability Fund. This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers, up to a limit of \$1,750,000 per occurrence.

Cornhusker State Industries. The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund. One of the main activities is making furniture.

State of Nebraska

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

June 30, 2014

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,804	\$ 24,414	\$ 9,454	\$ 39,672
Receivables, net of allowance	5,975	6,689	299	12,963
Due from Other Funds	-	-	1,360	1,360
Inventories	-	-	3,178	3,178
Prepaid Items	40	-	-	40
Other	476	-	-	476
Total Current Assets	<u>12,295</u>	<u>31,103</u>	<u>14,291</u>	<u>57,689</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	2,422	-	-	2,422
Long-Term Investments	-	69,136	-	69,136
Securities Lending Collateral	-	1,743	-	1,743
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	229	-	13,543	13,772
Less Accumulated Depreciation	(194)	-	(6,638)	(6,832)
Total Capital Assets	<u>35</u>	<u>-</u>	<u>7,220</u>	<u>7,255</u>
Total Noncurrent Assets	<u>2,457</u>	<u>70,879</u>	<u>7,220</u>	<u>80,556</u>
Total Assets	<u>\$ 14,752</u>	<u>\$ 101,982</u>	<u>\$ 21,511</u>	<u>\$ 138,245</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 8,608	\$ 8,163	\$ 701	\$ 17,472
Due to Other Funds	37	-	69	106
Claims, Judgments and Compensated Absences	18	4,603	49	4,670
Unearned Revenue	-	2,233	-	2,233
Total Current Liabilities	<u>8,663</u>	<u>14,999</u>	<u>819</u>	<u>24,481</u>
Noncurrent Liabilities:				
Claims, Judgments and Compensated Absences	240	13,774	567	14,581
Obligations under Securities Lending	-	1,743	-	1,743
Total Noncurrent Liabilities	<u>240</u>	<u>15,517</u>	<u>567</u>	<u>16,324</u>
Total Liabilities	<u>\$ 8,903</u>	<u>\$ 30,516</u>	<u>\$ 1,386</u>	<u>\$ 40,805</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net Investment in Capital Assets	35	-	7,220	7,255
Lottery Prizes, Noncurrent	2,422	-	-	2,422
Unrestricted	3,392	71,466	12,905	87,763
Total Net Position	<u>\$ 5,849</u>	<u>\$ 71,466</u>	<u>\$ 20,125</u>	<u>\$ 97,440</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
OPERATING REVENUES				
Charges for Services	\$ 157,896	\$ 5,478	\$ 11,336	\$ 174,710
Total Operating Revenues	<u>157,896</u>	<u>5,478</u>	<u>11,336</u>	<u>174,710</u>
OPERATING EXPENSES				
Personal Services	1,338	-	4,755	6,093
Services and Supplies	26,870	360	6,362	33,592
Lottery Prizes	92,821	-	-	92,821
Insurance Claims	-	814	-	814
Depreciation	17	-	465	482
Total Operating Expenses	<u>121,046</u>	<u>1,174</u>	<u>11,582</u>	<u>133,802</u>
Operating Income (Loss)	<u>36,850</u>	<u>4,304</u>	<u>(246)</u>	<u>40,908</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	258	4,247	188	4,693
Gain (Loss) on Sale of Capital Assets	-	-	2	2
Total Nonoperating Revenues (Expenses)	<u>258</u>	<u>4,247</u>	<u>190</u>	<u>4,695</u>
Income (Loss) Before Transfers	37,108	8,551	(56)	45,603
Transfers Out	<u>(38,000)</u>	<u>-</u>	<u>-</u>	<u>(38,000)</u>
Change in Net Position	<u>(892)</u>	<u>8,551</u>	<u>(56)</u>	<u>7,603</u>
NET POSITION, JULY 1	<u>6,741</u>	<u>62,915</u>	<u>20,181</u>	<u>89,837</u>
NET POSITION, JUNE 30	<u>\$ 5,849</u>	<u>\$ 71,466</u>	<u>\$ 20,125</u>	<u>\$ 97,440</u>

State of Nebraska

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 197,140	\$ 5,344	\$ 1,874	\$ 204,358
Cash Received from Interfund Charges	-	-	8,930	8,930
Cash Paid to Employees	(1,328)	-	(4,678)	(6,006)
Cash Paid to Suppliers	(26,552)	(175)	(6,050)	(32,777)
Cash Paid for Lottery Prizes	(132,796)	-	-	(132,796)
Cash Paid for Insurance Claims	-	(6,327)	-	(6,327)
Cash Paid for Interfund Services	(321)	(192)	(607)	(1,120)
Net Cash Flows from Operating Activities	36,143	(1,350)	(531)	34,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(38,000)	-	-	(38,000)
Net Cash Flows from Noncapital Financing Activities	(38,000)	-	-	(38,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:				
Acquisition and Construction of Capital Assets	(21)	-	(368)	(389)
Proceeds from Sale of Capital Assets	1	-	2	3
Net Cash Flows from Capital and Related Financing Activities	(20)	-	(366)	(386)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(122,203)	-	(122,203)
Proceeds from Sale of Investment Securities	-	122,751	-	122,751
Interest and Dividend Income	258	1,818	197	2,273
Net Cash Flows from Investing Activities	258	2,366	197	2,821
Net Increase (Decrease) in Cash and Cash Equivalents	(1,619)	1,016	(700)	(1,303)
CASH AND CASH EQUIVALENTS, JULY 1	<u>7,423</u>	<u>23,398</u>	<u>10,154</u>	<u>40,975</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 5,804</u>	<u>\$ 24,414</u>	<u>\$ 9,454</u>	<u>\$ 39,672</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 36,850	\$ 4,304	\$ (246)	\$ 40,908
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	17	-	465	482
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	31	-	102	133
(Increase) Decrease in Due from Other Funds	-	-	(634)	(634)
(Increase) Decrease in Inventories	-	-	(486)	(486)
(Increase) Decrease in Prepaid Items	(40)	-	-	(40)
(Increase) Decrease in Long-Term Deposits	(52)	-	-	(52)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(669)	(7)	269	(407)
Increase (Decrease) in Due to Other Funds	6	-	(1)	5
Increase (Decrease) in Claims Payable	-	(5,513)	-	(5,513)
Increase (Decrease) in Unearned Revenue	-	(134)	-	(134)
Total adjustments	(707)	(5,654)	(285)	(6,646)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 36,143</u>	<u>\$ (1,350)</u>	<u>\$ (531)</u>	<u>\$ 34,262</u>
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	\$ -	\$ 2,460	\$ -	\$ 2,460

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the operations of State agencies that provide goods and services to other departments or agencies within State government on a cost-reimbursement basis. The State has the following internal service funds:

Buildings and Grounds. The activities of Administrative Services, State Building Division, for space rental, office and storage, and operating the parking areas are accounted for in this fund.

General Services. This fund accounts for the operations of central services provided by the Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

Office of the CIO. This fund accounts for the activities of the central communications network and central data processing operations maintained by Administrative Services, Office of the Chief Information Officer.

Transportation Services Bureau. This fund accounts for the operations of the central motor pool, which is under Administrative Services, Transportation Services Bureau.

Risk Management. The activities of Administrative Services, Division of Risk Management, which include workers' compensation and general liability claims, and of the State Employees Insurance Fund, which include life and health insurance programs, are accounted for in this fund.

Accounting Services. The accounting operations maintained by Administrative Services, State Accounting Division, are accounted for in this fund.

Other Internal Service Funds. This fund accounts for the micrographics services and warehousing of records by the Records Management Division of the Secretary of State, the activities of the Investment Council, and the temporary employee pool maintained by Administrative Services, Division of State Personnel.

State of Nebraska

COMBINING STATEMENT OF NET POSITION **INTERNAL SERVICE FUNDS**

June 30, 2014

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 9,897	\$ 6,420	\$ 25,551
Receivables, net of allowance			
Accounts	18	13	630
Accrued Interest	74	42	163
Due from Other Funds	123	2,086	9,514
Inventories	-	316	63
Prepaid Items	1,132	126	-
Total Current Assets	<u>11,244</u>	<u>9,003</u>	<u>35,921</u>
Noncurrent Assets:			
Capital Assets:			
Buildings and Equipment	707	7,550	61,314
Less Accumulated Depreciation	(525)	(4,889)	(48,101)
Total Capital Assets	<u>182</u>	<u>2,661</u>	<u>13,213</u>
Total Assets	<u>\$ 11,426</u>	<u>\$ 11,664</u>	<u>\$ 49,134</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 1,619	\$ 1,944	\$ 9,528
Due to Other Funds	200	29	54
Capital Lease Obligations	-	-	4,990
Claims, Judgments and Compensated Absences	43	42	247
Unearned Revenue	-	-	489
Total Current Liabilities	<u>1,862</u>	<u>2,015</u>	<u>15,308</u>
Noncurrent Liabilities:			
Capital Lease Obligations	-	-	10,730
Claims, Judgments and Compensated Absences	494	486	2,829
Total Noncurrent Liabilities	<u>494</u>	<u>486</u>	<u>13,559</u>
Total Liabilities	<u>\$ 2,356</u>	<u>\$ 2,501</u>	<u>\$ 28,867</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net Investment in Capital Assets	182	2,661	(2,507)
Unrestricted	8,888	6,502	22,774
Total Net Position	<u>\$ 9,070</u>	<u>\$ 9,163</u>	<u>\$ 20,267</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 5,782	\$ 75,438	\$ 3,355	\$ 4,327	\$ 130,770
31	16	2	110	820
36	458	46	28	847
496	131	-	633	12,983
-	-	-	-	379
-	-	-	-	1,258
<u>6,345</u>	<u>76,043</u>	<u>3,403</u>	<u>5,098</u>	<u>147,057</u>
18,535	-	1,434	603	90,143
<u>(7,710)</u>	<u>-</u>	<u>(1,426)</u>	<u>(524)</u>	<u>(63,175)</u>
10,825	-	8	79	26,968
<u>\$ 17,170</u>	<u>\$ 76,043</u>	<u>\$ 3,411</u>	<u>\$ 5,177</u>	<u>\$ 174,025</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 246	\$ 2,013	\$ 257	\$ 750	\$ 16,357
55	29	126	9	502
685	-	-	-	5,675
10	39,567	25	16	39,950
-	-	-	-	489
<u>996</u>	<u>41,609</u>	<u>408</u>	<u>775</u>	<u>62,973</u>
1,390	-	-	-	12,120
116	33,140	285	187	37,537
<u>1,506</u>	<u>33,140</u>	<u>285</u>	<u>187</u>	<u>49,657</u>
<u>\$ 2,502</u>	<u>\$ 74,749</u>	<u>\$ 693</u>	<u>\$ 962</u>	<u>\$ 112,630</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8,750	-	8	79	9,173
5,918	1,294	2,710	4,136	52,222
<u>\$ 14,668</u>	<u>\$ 1,294</u>	<u>\$ 2,718</u>	<u>\$ 4,215</u>	<u>\$ 61,395</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
OPERATING REVENUES			
Charges for Services	\$ 34,473	\$ 18,087	\$ 87,221
Other	870	-	-
Total Operating Revenues	<u>35,343</u>	<u>18,087</u>	<u>87,221</u>
OPERATING EXPENSES			
Personal Services	4,598	3,464	17,677
Services and Supplies	32,265	13,777	69,042
Insurance Claims	-	-	-
Depreciation	46	1,084	6,772
Total Operating Expenses	<u>36,909</u>	<u>18,325</u>	<u>93,491</u>
Operating Income (Loss)	<u>(1,566)</u>	<u>(238)</u>	<u>(6,270)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	230	123	508
Gain (Loss) on Sale of Capital Assets	13	(44)	25
Other	-	-	(330)
Total Nonoperating Revenues (Expenses)	<u>243</u>	<u>79</u>	<u>203</u>
Change in Net Position	<u>(1,323)</u>	<u>(159)</u>	<u>(6,067)</u>
NET POSITION, JULY 1	<u>10,393</u>	<u>9,322</u>	<u>26,334</u>
NET POSITION, JUNE 30	<u><u>\$ 9,070</u></u>	<u><u>\$ 9,163</u></u>	<u><u>\$ 20,267</u></u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 7,274	\$ 183,955	\$ 4,339	\$ 12,060	\$ 347,409
-	-	2	429	1,301
<u>7,274</u>	<u>183,955</u>	<u>4,341</u>	<u>12,489</u>	<u>348,710</u>
608	170	2,030	7,476	36,023
3,815	389	2,740	4,739	126,767
-	187,262	-	-	187,262
2,301	-	2	16	10,221
<u>6,724</u>	<u>187,821</u>	<u>4,772</u>	<u>12,231</u>	<u>360,273</u>
550	(3,866)	(431)	258	(11,563)
90	1,471	153	76	2,651
390	-	3	-	387
(24)	-	-	-	(354)
<u>456</u>	<u>1,471</u>	<u>156</u>	<u>76</u>	<u>2,684</u>
1,006	(2,395)	(275)	334	(8,879)
13,662	3,689	2,993	3,881	70,274
<u>\$ 14,668</u>	<u>\$ 1,294</u>	<u>\$ 2,718</u>	<u>\$ 4,215</u>	<u>\$ 61,395</u>

State of Nebraska

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 474	\$ 559	\$ 3,302
Cash Received from Interfund Charges	34,856	17,511	87,685
Cash Paid to Employees	(4,608)	(3,462)	(17,619)
Cash Paid to Suppliers	(31,327)	(13,715)	(63,277)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(2,228)	(347)	(5,003)
Net Cash Flows from Operating Activities	(2,833)	546	5,088
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(105)	(667)	(1,570)
Proceeds from Sale of Capital Assets	12	9	27
Principal Paid on Capital Leases	-	-	(8,024)
Interest Paid on Capital Leases	-	-	(330)
Net Cash Flows from Capital and Related Financing Activities	(93)	(658)	(9,897)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	260	130	531
Net Cash Flows from Investing Activities	260	130	531
Net Increase (Decrease) in Cash and Cash Equivalents	(2,666)	18	(4,278)
CASH AND CASH EQUIVALENTS, JULY 1	12,563	6,402	29,829
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 9,897	\$ 6,420	\$ 25,551
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (1,566)	\$ (238)	\$ (6,270)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	46	1,084	6,772
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	25	15	(152)
(Increase) Decrease in Due from Other Funds	(38)	(32)	4,179
(Increase) Decrease in Inventories	-	37	9
(Increase) Decrease in Prepaid Items	61	(38)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,324)	(268)	1,131
Increase (Decrease) in Due to Other Funds	(37)	(14)	(320)
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	(261)
Total Adjustments	(1,267)	784	11,358
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (2,833)	\$ 546	\$ 5,088
NONCASH TRANSACTIONS (dollars in thousands):			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.			
The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ 4,790

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 49	\$ 8,810	\$ 2	\$ 9,934	\$ 23,130
7,368	175,004	4,339	2,820	329,583
(608)	(165)	(2,019)	(7,444)	(35,925)
(2,552)	(389)	(2,058)	(4,404)	(117,722)
-	(186,243)	-	-	(186,243)
(1,534)	(178)	(809)	(394)	(10,493)
<u>2,723</u>	<u>(3,161)</u>	<u>(545)</u>	<u>512</u>	<u>2,330</u>
(3,239)	-	(11)	(16)	(5,608)
1,238	-	4	-	1,290
(680)	-	-	-	(8,704)
(24)	-	-	-	(354)
<u>(2,705)</u>	<u>-</u>	<u>(7)</u>	<u>(16)</u>	<u>(13,376)</u>
92	1,533	170	72	2,788
<u>92</u>	<u>1,533</u>	<u>170</u>	<u>72</u>	<u>2,788</u>
110	(1,628)	(382)	568	(8,258)
5,672	77,066	3,737	3,759	139,028
<u>\$ 5,782</u>	<u>\$ 75,438</u>	<u>\$ 3,355</u>	<u>\$ 4,327</u>	<u>\$ 130,770</u>
\$ 550	\$ (3,866)	\$ (431)	\$ 258	\$ (11,563)
2,301	-	2	16	10,221
(31)	(16)	-	149	(10)
174	(125)	-	116	4,274
-	-	-	-	46
-	-	-	-	23
(264)	(169)	(23)	(20)	(937)
(7)	(4)	(93)	(7)	(482)
-	1,019	-	-	1,019
-	-	-	-	(261)
<u>2,173</u>	<u>705</u>	<u>(114)</u>	<u>254</u>	<u>13,893</u>
<u>\$ 2,723</u>	<u>\$ (3,161)</u>	<u>\$ (545)</u>	<u>\$ 512</u>	<u>\$ 2,330</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,790



FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State of Nebraska in a fiduciary capacity. The State has the following fiduciary funds:

PENSION TRUST FUNDS

Deferred Compensation, State Employees' Retirement, County Employees' Retirement, Judges' Retirement, State Patrol Retirement, and School Retirement Systems.

PRIVATE PURPOSE TRUST FUNDS

Escheat Trust Fund. This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

College Savings Plan. This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

Other Private Purpose Trust Funds. Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose Trust.

AGENCY FUNDS

Local Government Fund. This fund receives money for redistribution to counties and other political subdivisions.

Other Agency Funds. Library Services, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, and the Health and Human Services System Trust Funds.

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PENSION TRUST FUNDS

June 30, 2014

(Dollars in Thousands)

	STATE EMPLOYEES RETIREMENT		
	DEFERRED COMPENSATION	DEFINED CONTRIBUTION	CASH BALANCE
ASSETS			
Cash and Cash Equivalents	\$ 17	\$ 125	\$ 99
Investments:			
U.S. Treasury Notes and Bonds	-	-	54,363
U.S. Treasury Bills	-	-	1,130
Government Agency Securities	-	-	2,151
Corporate Bonds	-	-	81,342
International Bonds	-	-	26,060
Equity Securities	-	-	201,727
Private Equity	-	-	52,701
Options	-	-	(84)
Mortgages	-	-	59,229
Private Real Estate	-	-	30,662
Adrs, GDRs & Trust	-	-	944
Asset Backed Securities	-	-	9,287
Bank Loans	-	-	312
Municipal Bonds	-	-	4,362
Commingled Funds	185,998	549,503	690,665
Guaranteed Investment Contracts	20,374	48,919	-
Short Term Investments	4,950	8,084	25,296
Total Investments	211,322	606,506	1,240,147
Securities Lending Collateral	-	6,111	42,796
Receivables:			
Contributions	-	718	2,546
Interest and Dividends	-	3	2,040
Other	-	-	52,766
Total Receivables	-	721	57,352
Due from Other Funds	-	3	-
Capital Assets:			
Buildings and Equipment	132	1,634	2,571
Less Accumulated Depreciation	(132)	(1,634)	(2,571)
Total Capital Assets	-	-	-
Total Assets	\$ 211,339	\$ 613,466	\$ 1,340,394
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 2	\$ 135	\$ 73,853
Due to Other Governments	-	-	-
Due to Other Funds	3	5	12
Obligations under Securities Lending	-	6,111	42,796
Accrued Compensated Absences	7	27	38
Total Liabilities	\$ 12	\$ 6,278	\$ 116,699
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -
NET POSITION			
Net Position Restricted for Pensions	\$ 211,327	\$ 607,188	\$ 1,223,695

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 15	\$ 46	\$ 6,855	\$ 183	\$ 278	\$ 7,618
-	15,424	325,878	5,470	12,021	413,156
-	321	2,857	48	105	4,461
-	610	9,663	162	356	12,942
-	23,079	593,026	9,954	21,875	729,276
-	7,394	179,387	3,011	6,617	222,469
-	57,235	1,343,036	22,542	49,540	1,674,080
-	14,953	446,471	7,494	16,469	538,088
-	(24)	42	-	2	(64)
-	16,805	402,656	6,758	14,853	500,301
-	8,699	226,237	3,797	8,345	277,740
-	268	2,810	47	104	4,173
-	2,635	63,718	1,069	2,350	79,059
-	88	208,106	3,493	7,676	219,675
-	1,238	27,390	460	1,010	34,460
165,177	195,960	5,558,435	93,293	209,862	7,648,893
13,172	-	-	-	922	83,387
2,093	10,390	353,264	5,929	13,373	423,379
180,442	355,075	9,742,976	163,527	365,480	12,865,475
1,645	12,142	235,767	3,957	8,697	311,115
276	1,170	21,891	259	-	26,860
2	579	13,176	221	484	16,505
-	14,972	380,702	6,390	14,043	468,873
278	16,721	415,769	6,870	14,527	512,238
-	-	41,898	803	4,653	47,357
769	1,374	4,828	66	66	11,440
(769)	(1,374)	(4,823)	(66)	(66)	(11,435)
-	-	5	-	-	5
\$ 182,380	\$ 383,984	\$ 10,443,270	\$ 175,340	\$ 393,635	\$ 13,743,808
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 41	\$ 21,243	\$ 746,376	\$ 12,504	\$ 27,461	\$ 881,615
-	-	9,809	85	154	10,048
2	9	102	-	2	135
1,645	12,142	235,767	3,957	8,697	311,115
12	25	239	4	3	355
\$ 1,700	\$ 33,419	\$ 992,293	\$ 16,550	\$ 36,317	\$ 1,203,268
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 180,680	\$ 350,565	\$ 9,450,977	\$ 158,790	\$ 357,318	\$ 12,540,540

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
ADDITIONS			
Contributions:			
Participant Contributions	\$ 13,497	\$ 7,320	\$ 25,109
State Contributions	-	11,403	39,147
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	13,497	18,723	64,256
Investment Income:			
Net Appreciation (Depreciation) in			
Fair Value of Investments	30,251	87,464	176,395
Interest and Dividend Income	-	3,812	14,099
Securities Lending Income	-	3	351
Total Investment Income	30,251	91,279	190,845
Investment Expenses	-	249	2,713
Securities Lending Expenses	-	1	74
Total Investment Expense	-	250	2,787
Net Investment Income	30,251	91,029	188,058
Other Additions	71	3	177
Total Additions	43,819	109,755	252,491
DEDUCTIONS			
Benefits	14,974	32,998	64,842
Refunds	-	-	-
Administrative Expenses	212	405	836
Other Deductions	-	999	346
Total Deductions	15,186	34,402	66,024
TRANSFERS			
Transfers In (Out)	-	(3,814)	3,814
Change in Net Position Restricted for Pensions	28,633	71,539	190,281
NET POSITION-BEGINNING OF YEAR	182,694	535,649	1,033,414
NET POSITION-END OF YEAR	\$ 211,327	\$ 607,188	\$ 1,223,695

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 2,868	\$ 9,827	\$ 169,201	\$ 1,519	\$ 4,117	\$ 233,458
4,254	14,552	41,898	94	8,770	120,118
-	-	167,710	-	-	167,710
-	-	-	3,812	-	3,812
7,122	24,379	378,809	5,425	12,887	525,098
25,474	50,271	1,364,445	23,025	50,974	1,808,299
1,094	3,993	109,167	1,840	4,710	138,715
1	100	2,038	34	75	2,602
26,569	54,364	1,475,650	24,899	55,759	1,949,616
82	855	20,771	350	795	25,815
-	21	382	6	14	498
82	876	21,153	356	809	26,313
26,487	53,488	1,454,497	24,543	54,950	1,923,303
1	2	37	-	21	312
33,610	77,869	1,833,343	29,968	67,858	2,448,713
8,795	15,139	451,137	8,118	16,194	612,197
-	-	13,525	4	3,816	17,345
179	465	2,860	78	121	5,156
-	17	7,791	-	-	9,153
8,974	15,621	475,313	8,200	20,131	643,851
(652)	652	-	-	-	-
23,984	62,900	1,358,030	21,768	47,727	1,804,862
156,696	287,665	8,092,947	137,022	309,591	10,735,678
<u>\$ 180,680</u>	<u>\$ 350,565</u>	<u>\$ 9,450,977</u>	<u>\$ 158,790</u>	<u>\$ 357,318</u>	<u>\$ 12,540,540</u>

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET POSITION **PRIVATE PURPOSE TRUST FUNDS**

June 30, 2014

(Dollars in Thousands)

	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS				
Cash and Cash Equivalents	\$ 7,431	\$ 9,959	\$ 9,192	\$ 26,582
Investments:				
Commingled Funds	-	3,407,540	-	3,407,540
Receivables:				
Interest and Dividends	49	716	57	822
Other Assets	13,455	-	935	14,390
Total Assets	<u>\$ 20,935</u>	<u>\$ 3,418,215</u>	<u>\$ 10,184</u>	<u>\$ 3,449,334</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 191	\$ 5,916	\$ 54	\$ 6,161
Deposits	-	-	935	935
Due to Other Funds	9	-	-	9
Total Liabilities	<u>\$ 200</u>	<u>\$ 5,916</u>	<u>\$ 989</u>	<u>\$ 7,105</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Restricted for:				
College Savings Plan	\$ -	\$ 3,412,299	\$ -	\$ 3,412,299
Other Purposes	20,735	-	9,195	29,930
Total Net Position	<u>\$ 20,735</u>	<u>\$ 3,412,299</u>	<u>\$ 9,195</u>	<u>\$ 3,442,229</u>

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS				
Contributions:				
Participant Contributions	\$ -	\$ 358,523	\$ -	\$ 358,523
Client Contributions	-	-	89	89
Investment Income:				
Net Appreciation (Depreciation) in				
Fair Value of Investments	-	435,427	-	435,427
Interest and Dividend Income	161	6,178	132	6,471
Investment Expenses	-	15,079	-	15,079
Total Investment Income	161	426,526	132	426,819
Escheat Revenue	11,462	-	-	11,462
Other Additions	-	157	3,997	4,154
Total Additions	11,623	785,206	4,218	801,047
DEDUCTIONS				
Benefits	-	230,636	-	230,636
Amounts Distributed to Outside Parties	10,033	-	1,538	11,571
Administrative Expenses	1,201	-	144	1,345
Total Deductions	11,234	230,636	1,682	243,552
Change in Net Position Restricted for:				
College Savings Plan	-	554,570	-	554,570
Other Purposes	389	-	2,536	2,925
NET POSITION-BEGINNING OF YEAR	20,346	2,857,729	6,659	2,884,734
NET POSITION-END OF YEAR	\$ 20,735	\$ 3,412,299	\$ 9,195	\$ 3,442,229

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2014

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 71,896	\$ 22,843	\$ 94,739
Receivables:			
Interest and Dividends Receivable	360	24	384
Other	-	716	716
Total Assets	<u>\$ 72,256</u>	<u>\$ 23,583</u>	<u>\$ 95,839</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 198	\$ 26	\$ 224
Due to Other Governments	72,058	-	72,058
Other Liabilities	-	23,557	23,557
Total Liabilities	<u>\$ 72,256</u>	<u>\$ 23,583</u>	<u>\$ 95,839</u>

State of Nebraska

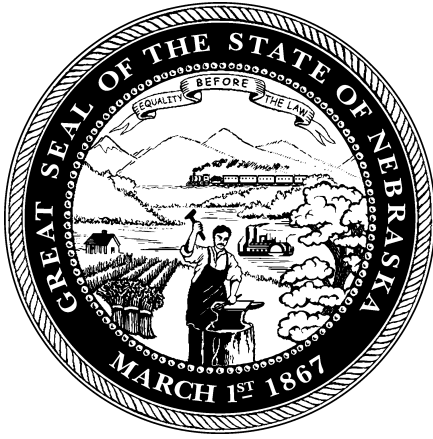
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended June 30, 2014

(Dollars in Thousands)

	BALANCE July 1, 2013	ADDITIONS	REDUCTIONS	BALANCE June 30, 2014
LOCAL GOVERNMENT FUND				
ASSETS				
Cash and Cash Equivalents	\$ 60,049	\$ 619,564	\$ 607,717	\$ 71,896
Receivables:				
Interest and Dividends Receivable	357	763	760	360
Total Assets	<u>\$ 60,406</u>	<u>\$ 620,327</u>	<u>\$ 608,477</u>	<u>\$ 72,256</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 106	\$ 290,271	\$ 290,179	\$ 198
Due to Other Governments	60,300	330,056	318,298	72,058
Total Liabilities	<u>\$ 60,406</u>	<u>\$ 620,327</u>	<u>\$ 608,477</u>	<u>\$ 72,256</u>
OTHER				
ASSETS				
Cash and Cash Equivalents	\$ 38,625	\$ 458,498	\$ 474,280	\$ 22,843
Receivables:				
Interest and Dividends Receivable	93	256	325	24
Other	340	13,861	13,485	716
Total Assets	<u>\$ 39,058</u>	<u>\$ 472,615</u>	<u>\$ 488,090</u>	<u>\$ 23,583</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 15,238	\$ 45,265	\$ 60,477	\$ 26
Other Liabilities	23,820	427,350	427,613	23,557
Total Liabilities	<u>\$ 39,058</u>	<u>\$ 472,615</u>	<u>\$ 488,090</u>	<u>\$ 23,583</u>
TOTALS				
ASSETS				
Cash and Cash Equivalents	\$ 98,674	\$ 1,078,062	\$ 1,081,997	\$ 94,739
Receivables:				
Interest and Dividends Receivable	450	1,019	1,085	384
Other	340	13,861	13,485	716
Total Assets	<u>\$ 99,464</u>	<u>\$ 1,092,942</u>	<u>\$ 1,096,567</u>	<u>\$ 95,839</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 15,344	\$ 335,536	\$ 350,656	\$ 224
Due to Other Governments	60,300	330,056	318,298	72,058
Other Liabilities	23,820	427,350	427,613	23,557
Total Liabilities	<u>\$ 99,464</u>	<u>\$ 1,092,942</u>	<u>\$ 1,096,567</u>	<u>\$ 95,839</u>





STATISTICAL SECTION

STATISTICAL SECTION TABLE OF CONTENTSFor the Year Ended June 30, 2014

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This part of the State of Nebraska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

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DEBT CAPACITY INFORMATION

The State has no debt because the Nebraska State Constitution prohibits the State's debt from exceeding, in the aggregate, one hundred thousand dollars. However, the State does have leasing arrangements; such information is provided in this section.

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DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and with other governments.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

State of Nebraska

NET POSITION BY COMPONENT

2005 - 2014

(Dollars in Thousands)					
	2005	2006	2007	2008	2009
Governmental activities					
Net investment in capital assets	\$ 7,110,299	\$ 7,269,102	\$ 7,428,729	\$ 7,587,729	\$ 7,718,610
Restricted	1,099,437	1,566,634	1,762,849	1,789,943	1,631,962
Unrestricted	804,266	681,330	966,918	1,078,546	1,015,196
Total governmental activities net position	<u>\$ 9,014,002</u>	<u>\$ 9,517,066</u>	<u>\$ 10,158,496</u>	<u>\$ 10,456,218</u>	<u>\$ 10,365,768</u>
Business-type activities					
Net investment in capital assets	\$ 6,235	\$ 6,066	\$ 5,763	\$ 6,426	\$ 6,283
Restricted	213,058	274,537	321,396	344,186	270,394
Unrestricted	26,070	30,144	31,019	47,777	47,082
Total business-type activities net position	<u>\$ 245,363</u>	<u>\$ 310,747</u>	<u>\$ 358,178</u>	<u>\$ 398,389</u>	<u>\$ 323,759</u>
Primary government					
Net investment in capital assets	\$ 7,116,534	\$ 7,275,168	\$ 7,434,492	\$ 7,594,155	\$ 7,724,893
Restricted	1,312,495	1,841,171	2,084,245	2,134,129	1,902,356
Unrestricted	830,336	711,474	997,937	1,126,323	1,062,278
Total primary government net position	<u>\$ 9,259,365</u>	<u>\$ 9,827,813</u>	<u>\$ 10,516,674</u>	<u>\$ 10,854,607</u>	<u>\$ 10,689,527</u>

(Dollars in Thousands)					
	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets	\$ 7,820,246	\$ 7,982,821	\$ 8,041,150	\$ 8,468,618	\$ 8,571,554
Restricted	1,754,186	2,006,750	2,083,822	2,217,372	2,431,057
Unrestricted	850,757	806,676	905,503	1,193,571	1,401,782
Total governmental activities net position	<u>\$ 10,425,189</u>	<u>\$ 10,796,247</u>	<u>\$ 11,030,475</u>	<u>\$ 11,879,561</u>	<u>\$ 12,404,393</u>
Business-type activities					
Net investment in capital assets	\$ 5,848	\$ 6,809	\$ 6,379	\$ 7,362	\$ 7,255
Restricted	240,878	345,731	405,135	440,849	462,064
Unrestricted	72,173	65,690	77,262	80,149	87,763
Total business-type activities net position	<u>\$ 318,899</u>	<u>\$ 418,230</u>	<u>\$ 488,776</u>	<u>\$ 528,360</u>	<u>\$ 557,082</u>
Primary government					
Net investment in capital assets	\$ 7,826,094	\$ 7,989,630	\$ 8,047,529	\$ 8,475,980	\$ 8,578,809
Restricted	1,995,064	2,352,481	2,488,957	2,658,221	2,893,121
Unrestricted	922,930	872,366	982,765	1,273,720	1,489,545
Total primary government net position	<u>\$ 10,744,088</u>	<u>\$ 11,214,477</u>	<u>\$ 11,519,251</u>	<u>\$ 12,407,921</u>	<u>\$ 12,961,475</u>

NOTE: In 2006, restricted net position increased significantly due to the implementation of GASB Statement No. 46.

State of Nebraska

CHANGES IN NET POSITION

2005 - 2014

(Dollars in Thousands)

	2005	2006	2007	2008
Governmental Activities:				
Expenses				
General Government	\$ 320,608	\$ 308,567	\$ 354,737	\$ 437,830
Conservation of Natural Resources	95,589	100,476	119,286	112,936
Culture - Recreation	28,524	27,174	27,031	26,073
Economic Development and Assistance	79,618	87,299	89,310	84,852
Education	1,224,973	1,318,123	1,369,110	1,450,085
Higher Education - Colleges and University	451,404	482,229	528,861	558,282
Health and Social Services	2,494,782	2,593,692	2,649,535	2,744,217
Public Safety	282,474	288,659	359,755	372,677
Regulation of Business and Professions	139,248	151,853	155,692	130,603
Transportation	716,259	697,210	614,919	714,032
Interest on Long-term Debt	2,800	2,556	2,337	2,241
Total expenses	<u>5,836,279</u>	<u>6,057,838</u>	<u>6,270,573</u>	<u>6,633,828</u>
Program Revenues				
Charges for Services:				
General Government	64,746	73,624	86,746	86,869
Conservation of Natural Resources	22,049	24,332	34,578	34,439
Culture - Recreation	16,700	15,977	16,823	17,072
Economic Development and Assistance	3,600	3,195	5,043	4,808
Education	27,470	23,346	26,180	25,807
Health and Social Services	147,720	120,526	115,036	126,075
Public Safety	27,614	26,183	24,348	25,118
Regulation of Business and Professions	122,536	113,418	118,119	122,667
Transportation	95,322	90,951	89,358	105,748
Operating grants and contributions	2,121,384	2,151,817	2,217,531	2,235,104
Capital grants and contributions	12,245	4,461	8,137	21,258
Total program revenues	<u>2,661,386</u>	<u>2,647,830</u>	<u>2,741,899</u>	<u>2,804,965</u>
Total Governmental Activities				
Net Program Expense	<u>(3,174,893)</u>	<u>(3,410,008)</u>	<u>(3,528,674)</u>	<u>(3,828,863)</u>
General Revenues and Other Changes in Net Position				
Taxes				
Income taxes	1,612,683	1,803,670	1,859,467	1,956,656
Sales and use taxes	1,376,100	1,410,980	1,441,743	1,481,067
Petroleum taxes	311,231	312,809	326,795	290,721
Excise taxes	126,593	134,406	137,525	141,012
Business and franchise taxes	70,344	79,723	68,771	80,925
Other taxes	68,885	35,369	36,832	15,269
Total taxes	<u>3,565,836</u>	<u>3,776,957</u>	<u>3,871,133</u>	<u>3,965,650</u>
Unrestricted investment earnings	117,977	92,892	250,175	114,252
Miscellaneous	5,106	39	730	3,374
Contributions to permanent fund principal	16,581	15,582	18,800	12,301
Transfers	26,372	27,602	29,266	31,008
Total general revenues and other changes in net position	<u>3,731,872</u>	<u>3,913,072</u>	<u>4,170,104</u>	<u>4,126,585</u>
Total Governmental Activities				
Change in Net Position	<u>\$ 556,979</u>	<u>\$ 503,064</u>	<u>\$ 641,430</u>	<u>\$ 297,722</u>

2009	2010	2011	2012	2013	2014
\$ 468,433	\$ 471,614	\$ 476,622	\$ 460,612	\$ 458,483	\$ 507,065
127,677	148,452	155,692	151,318	143,437	143,324
29,272	24,228	28,837	24,752	31,114	30,532
88,520	95,228	111,096	102,839	96,433	89,109
1,562,662	1,712,705	1,807,170	1,570,235	1,645,097	1,712,015
571,268	571,288	561,090	557,162	572,341	618,033
2,912,708	3,010,299	3,069,195	3,139,786	3,195,733	3,226,402
351,673	372,813	361,921	366,084	384,081	376,449
123,579	132,094	121,616	122,211	134,172	123,879
797,462	736,449	696,727	905,498	859,289	919,679
1,828	1,400	1,153	1,204	784	627
7,035,082	7,276,570	7,391,119	7,401,701	7,520,964	7,747,114
87,575	100,501	88,550	95,899	82,247	90,336
35,324	35,483	36,263	32,804	37,019	34,550
18,153	18,550	18,657	22,984	20,513	20,225
2,259	2,171	1,007	4,126	1,245	2,529
30,402	34,166	36,545	36,831	47,751	46,522
148,971	109,333	112,145	120,745	128,012	109,740
25,363	25,320	26,973	26,322	33,012	33,265
132,771	131,814	135,820	131,312	140,910	131,969
112,493	95,950	98,151	110,842	107,008	112,175
2,490,255	2,841,557	2,939,166	2,646,825	2,704,464	2,622,119
25,252	24,680	29,234	15,789	20,040	18,657
3,108,818	3,419,525	3,522,511	3,244,479	3,322,221	3,222,087
(3,926,264)	(3,857,045)	(3,868,608)	(4,157,222)	(4,198,743)	(4,525,027)
1,787,950	1,676,829	1,889,796	2,064,233	2,362,511	2,387,039
1,476,995	1,447,865	1,545,494	1,638,610	1,661,208	1,792,176
305,793	303,865	321,919	322,284	323,519	344,335
134,877	132,779	135,250	136,825	130,725	128,281
70,270	79,115	65,630	73,849	78,204	104,366
10,863	13,436	9,243	9,818	7,849	7,579
3,786,748	3,653,889	3,967,332	4,245,619	4,564,016	4,763,776
14,582	216,190	214,054	92,037	96,522	223,246
401	(1,927)	2,590	-	1,518	3,322
3,838	16,314	23,635	17,719	26,453	21,241
30,245	32,000	32,055	36,075	40,014	38,274
3,835,814	3,916,466	4,239,666	4,391,450	4,728,523	5,049,859
\$ (90,450)	\$ 59,421	\$ 371,058	\$ 234,228	\$ 529,780	\$ 524,832

(continued)

State of Nebraska

CHANGES IN NET POSITION (Continued)

2005 - 2014

(Dollars in Thousands)

	2005	2006	2007	2008
Business-type Activities:				
Expenses				
Unemployment Insurance	\$ 114,496	\$ 101,433	\$ 93,939	\$ 98,365
Lottery	77,128	83,440	85,895	91,653
Excess Liability	1,984	12,551	13,731	(2,707)
Cornhusker State Industries	10,509	10,552	11,690	10,435
Total expenses	<u>204,117</u>	<u>207,976</u>	<u>205,255</u>	<u>197,746</u>
Revenues				
Charges for services:				
Unemployment Insurance	133,840	154,413	127,340	102,881
Lottery	100,658	113,108	114,489	121,910
Excess Liability	10,949	12,903	12,474	10,947
Cornhusker State Industries	13,022	10,851	9,341	9,880
Total revenues	<u>258,469</u>	<u>291,275</u>	<u>263,644</u>	<u>245,618</u>
Total Business-type Activities				
Net Program Expense	<u>54,352</u>	<u>83,299</u>	<u>58,389</u>	<u>47,872</u>
Other Changes in Net Position				
Unrestricted investment earnings	13,705	10,110	18,308	23,347
Miscellaneous	(3)	(423)	-	-
Transfers	<u>(26,372)</u>	<u>(27,602)</u>	<u>(29,266)</u>	<u>(31,008)</u>
Total other changes in net position	<u>(12,670)</u>	<u>(17,915)</u>	<u>(10,958)</u>	<u>(7,661)</u>
Total Business-type Activities				
Change in Net Position	<u>\$ 41,682</u>	<u>\$ 65,384</u>	<u>\$ 47,431</u>	<u>\$ 40,211</u>
Total Primary Government				
Change in Net Position	<u>\$ 598,661</u>	<u>\$ 568,448</u>	<u>\$ 688,861</u>	<u>\$ 337,933</u>

NOTE: The increases in taxes and change in net position from 2005 to 2008 for governmental activities were primarily due to a strengthening economy.

The decreases in taxes in 2009 and 2010 and change in net position in 2009 were primarily due to the economic recession.

2009	2010	2011	2012	2013	2014
\$ 242,201	\$ 431,836	\$ 329,576	\$ 261,750	\$ 167,957	\$ 122,351
94,676	98,948	101,625	113,935	120,515	121,046
12,430	7,220	19,623	672	3,850	1,174
10,221	11,847	13,451	11,621	9,271	11,582
359,528	549,851	464,275	387,978	301,593	256,153
149,937	391,067	422,977	310,188	194,996	133,665
123,251	130,580	131,919	150,612	160,753	157,896
9,267	21,475	8,943	5,509	4,946	5,478
9,412	13,549	15,568	12,053	10,299	11,336
291,867	556,671	579,407	478,362	370,994	308,375
(67,661)	6,820	115,132	90,384	69,401	52,222
23,276	20,293	16,254	16,237	10,197	14,772
-	27	-	-	-	2
(30,245)	(32,000)	(32,055)	(36,075)	(40,014)	(38,274)
(6,969)	(11,680)	(15,801)	(19,838)	(29,817)	(23,500)
\$ (74,630)	\$ (4,860)	\$ 99,331	\$ 70,546	\$ 39,584	\$ 28,722
\$ (165,080)	\$ 54,561	\$ 470,389	\$ 304,774	\$ 569,364	\$ 553,554



State of Nebraska
FUND BALANCES
GOVERNMENTAL FUNDS
2005 - 2014

(Dollars in thousands)					
	2005	2006	2007	2008	2009
General Fund					
Reserved	\$ 532	\$ 482	\$ 438	\$ 1,368	\$ 1,062
Unreserved	408,771	691,757	971,205	972,307	855,542
Total general fund	<u>\$ 409,303</u>	<u>\$ 692,239</u>	<u>\$ 971,643</u>	<u>\$ 973,675</u>	<u>\$ 856,604</u>
All Other Governmental Funds					
Reserved	\$ 377,818	\$ 619,319	\$ 659,349	\$ 687,095	\$ 694,503
Unreserved					
Special revenue funds	936,316	893,536	1,014,579	1,065,392	997,377
Permanent funds	250,127	77,768	115,901	91,759	23,073
Other funds	34,295	47,071	51,784	121,686	118,933
Total all other governmental funds	<u>\$ 1,598,556</u>	<u>\$ 1,637,694</u>	<u>\$ 1,841,613</u>	<u>\$ 1,965,932</u>	<u>\$ 1,833,886</u>

(Dollars in thousands)					
	2010	2011	2012	2013	2014
General Fund					
Reserved	\$ 894	\$ -	\$ -	\$ -	\$ -
Unreserved	715,530	-	-	-	-
Nonspendable	-	785	953	1,114	1,802
Committed	-	313,202	383,379	384,121	719,065
Unassigned	-	419,460	430,466	648,092	540,891
Total general fund	<u>\$ 716,424</u>	<u>\$ 733,447</u>	<u>\$ 814,798</u>	<u>\$ 1,033,327</u>	<u>\$ 1,261,758</u>
All Other Governmental Funds					
Reserved	\$ 729,377	\$ -	\$ -	\$ -	\$ -
Unreserved					
Special revenue funds	1,062,679	-	-	-	-
Permanent funds	67,754	-	-	-	-
Other funds	82,371	-	-	-	-
Nonspendable	-	468,363	490,928	514,985	536,088
Restricted	-	1,543,263	1,601,306	1,697,151	1,889,186
Committed	-	69,619	73,327	135,605	124,154
Assigned	-	32,439	37,032	45,708	46,812
Total all other governmental funds	<u>\$ 1,942,181</u>	<u>\$ 2,113,684</u>	<u>\$ 2,202,593</u>	<u>\$ 2,393,449</u>	<u>\$ 2,596,240</u>

NOTE: The classification of fund balances changed in 2011 with the implementation of GASB Statement No. 54.

State of Nebraska
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
2005 - 2014

(Dollars in Thousands)

	2005	2006	2007	2008
REVENUES				
Taxes:				
Income	\$ 1,610,008	\$ 1,802,161	\$ 1,860,712	\$ 1,950,363
Sales and Use	1,376,675	1,411,152	1,437,994	1,474,251
Petroleum	311,231	312,809	329,490	295,321
Excise	124,525	132,348	135,449	138,799
Business and Franchise	70,344	79,723	68,771	80,925
Other	68,885	35,369	36,832	15,269
Total Taxes	3,561,668	3,773,562	3,869,248	3,954,928
Federal Grants and Contracts	2,133,629	2,156,278	2,225,668	2,256,362
Licenses, Fees and Permits	198,970	196,966	211,167	259,000
Charges for Services	93,654	82,132	92,370	108,301
Investment Income	115,540	89,888	246,753	110,716
Rental Income	41,437	45,951	49,968	51,809
Other	201,814	172,545	173,948	129,861
Total Revenues	6,346,712	6,517,322	6,869,122	6,870,977
EXPENDITURES				
Current:				
General Government	405,798	296,209	311,324	430,310
Conservation of Natural Resources	98,067	104,118	119,533	112,333
Culture – Recreation	28,313	26,392	26,250	26,226
Economic Development and Assistance	81,172	87,462	89,440	85,807
Education	1,223,461	1,318,785	1,366,330	1,448,170
Higher Education - Colleges and University	451,404	482,229	528,861	558,282
Health and Social Services	2,475,952	2,605,402	2,659,210	2,715,383
Public Safety	285,732	287,735	359,514	383,156
Regulation of Business and Professions	139,086	151,850	155,195	130,330
Transportation	844,709	837,796	763,907	853,521
Capital Projects	19,048	25,101	27,494	27,289
Debt Service				
Principal	5,525	4,660	6,575	6,215
Interest	1,852	1,742	1,666	1,459
Total Expenditures	6,060,119	6,229,481	6,415,299	6,778,481
Excess (Deficiency) of Revenues Over (Under) Expenditures	286,593	287,841	453,823	92,496
OTHER FINANCING SOURCES (USES)				
Transfers In	152,721	171,981	155,268	253,986
Transfers Out	(126,349)	(144,379)	(126,002)	(222,978)
Other	3,311	6,631	234	2,847
Net Change in Fund Balances	316,276	322,074	483,323	126,351
Restatements	-	-	-	-
BEGINNING FUND BALANCE	1,691,583	2,007,859	2,329,933	2,813,256
ENDING FUND BALANCE	\$ 2,007,859	\$ 2,329,933	\$ 2,813,256	\$ 2,939,607
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<1%	<1%	<1%	<1%

NOTE: The increases in taxes and fund balances from 2005 to 2008 were primarily due to a strengthening economy.
The increase of general government expenditures in 2005 was due to settling a low-level radioactive waste lawsuit.
The decreases in taxes and fund balances in 2009 and 2010 were primarily due to the economic recession.

2009	2010	2011	2012	2013	2014
\$ 1,790,025	\$ 1,675,922	\$ 1,889,223	\$ 2,063,322	\$ 2,362,392	\$ 2,387,255
1,475,234	1,452,362	1,544,303	1,634,346	1,659,029	1,784,367
309,626	307,005	326,016	327,295	328,253	350,648
134,877	132,779	135,250	136,825	130,725	128,281
70,270	79,115	65,630	73,849	78,204	104,366
10,863	13,436	9,243	9,818	7,849	7,579
3,790,895	3,660,619	3,969,665	4,245,455	4,566,452	4,762,496
2,514,288	2,865,989	2,967,939	2,662,605	2,724,454	2,639,975
268,817	266,899	282,078	295,286	333,431	312,889
137,234	96,165	96,779	102,633	85,517	94,454
10,508	212,353	209,509	87,948	93,086	220,595
54,549	49,286	55,158	57,838	67,487	65,471
123,953	146,216	123,754	124,973	122,788	110,879
6,900,244	7,297,527	7,704,882	7,576,738	7,993,215	8,206,759
439,614	439,330	450,474	420,143	422,689	465,818
127,562	149,556	156,268	150,970	144,284	144,628
28,305	30,183	30,290	28,434	30,550	31,014
88,824	96,584	113,506	102,902	96,759	89,382
1,565,692	1,710,935	1,810,806	1,581,956	1,641,158	1,708,712
571,268	571,288	561,090	557,162	572,341	618,033
2,920,472	3,004,678	3,079,889	3,139,042	3,194,565	3,217,372
370,605	351,084	375,334	378,982	395,095	377,086
123,476	131,884	122,852	122,025	134,223	123,349
915,980	842,583	832,394	932,445	974,324	1,025,623
25,333	30,584	16,676	28,123	21,070	12,164
7,625	6,105	3,380	2,865	4,755	2,110
1,256	976	647	684	344	260
7,186,012	7,365,770	7,553,606	7,445,733	7,632,157	7,815,551
(285,768)	(68,243)	151,276	131,005	361,058	391,208
171,202	226,156	175,684	170,673	204,413	127,212
(140,957)	(194,156)	(143,629)	(134,598)	(164,399)	(88,938)
6,406	4,358	5,195	1,505	1,440	1,740
(249,117)	(31,885)	188,526	168,585	402,512	431,222
-	-	-	-	6,873	1,675
2,939,607	2,690,490	2,658,605	2,847,131	3,015,716	3,425,101
\$ 2,690,490	\$ 2,658,605	\$ 2,847,131	\$ 3,015,716	\$ 3,425,101	\$ 3,857,998
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska

INDIVIDUAL INCOME TAX RATES

2005 - 2014

	Tax Brackets			
	Bracket 1	Bracket 2	Bracket 3	Bracket 4
Single				
2005 Income Range	\$0-2,400	\$2,400-17,000	\$17,000-26,500	Over \$26,500
2006 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2005 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2014 Rates	2.46%	3.51%	5.01%	6.84%
Heads of Household				
2005 Income Range	\$0-3,800	\$3,800-24,000	\$24,000-35,000	Over \$35,000
2006 Income Range	\$0-3,800	\$3,800-25,000	\$25,000-35,000	Over \$35,000
2007 - 2013 Income Range	\$0-4,500	\$4,500-28,000	\$28,000-40,000	Over \$40,000
2014 Income Range	\$0-5,600	\$5,600-28,800	\$28,800-43,000	Over \$43,000
2005 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2014 Rates	2.46%	3.51%	5.01%	6.84%
Married Filing Joint				
2005 Income Range	\$0-4,000	\$4,000-30,000	\$30,000-46,750	Over \$46,750
2006 Income Range	\$0-4,000	\$4,000-31,000	\$31,000-50,000	Over \$50,000
2007 - 2013 Income Range	\$0-4,800	\$4,800-35,000	\$35,000-54,000	Over \$54,000
2014 Income Range	\$0-6,000	\$6,000-36,000	\$36,000-58,000	Over \$58,000
2005 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2014 Rates	2.46%	3.51%	5.01%	6.84%
Married Filing Separate				
2005 Income Range	\$0-2,400	\$2,400-17,000	\$17,000-26,500	Over \$26,500
2006 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2005 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2014 Rates	2.46%	3.51%	5.01%	6.84%

SOURCE: Nebraska Department of Revenue

State of Nebraska

INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL

Tax Years 2002 and 2011

2002				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10,000	102,756	\$ 3,796,314	49,561	0.35%
\$10,000 - 24,999	191,915	\$ 43,872,045	176,573	4.08%
\$25,000 - 49,999	219,572	\$ 175,316,877	217,661	16.31%
\$50,000 - 99,999	180,668	\$ 389,078,204	179,470	36.19%
\$100,000 and Over	57,430	\$ 463,106,873	55,675	43.07%
State Total	752,341	\$ 1,075,170,313	678,940	100.00%

2011				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10,000	147,063	\$ 3,639,772	49,459	0.21%
\$10,000 - 24,999	196,869	\$ 30,349,033	182,163	1.74%
\$25,000 - 49,999	227,136	\$ 167,828,603	222,127	9.61%
\$50,000 - 99,999	225,848	\$ 480,917,620	222,811	27.51%
\$100,000 and Over	133,166	\$ 1,064,534,132	128,864	60.93%
State Total	930,082	\$ 1,747,269,160	805,424	100.00%

SOURCE: Department of Revenue 2002 and 2011 Annual Reports

NOTE: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.
Tax year 2011 is the most recent year for which data is available.

State of Nebraska

TAXABLE SALES BY INDUSTRY

Calendar Years 2003 and 2012

	2003	2012
Agriculture, Forestry, Fishing & Hunting	\$ 63,459,383	\$ 82,940,930
Mining	37,334,521	61,875,783
Utilities	1,560,494,046	2,162,130,022
Construction	408,526,537	571,351,168
Manufacturing	507,948,242	537,826,861
Wholesale Trade	1,071,666,345	1,574,857,561
Retail Trade	7,981,581,582	9,941,620,578
Transportation	112,728,277	83,696,150
Warehousing Services	2,960,578	39,453,160
Information	827,515,323	795,608,498
Finance & Insurance	58,882,852	26,391,772
Real Estate, Rental & Leasing Services	115,975,158	229,585,857
Professional, Scientific & Technical Services	285,591,117	322,098,417
Management of Companies & Enterprises Services	361,090	3,837,297
Administration, Support, Waste Management, Remedial Services	462,286,918	484,801,067
Educational Services	59,962,118	27,260,053
Health Care & Social Assistance Services	33,217,637	41,134,644
Arts, Entertainment & Recreation Services	269,320,804	329,109,003
Accommodation & Food Services	1,973,871,296	3,006,022,945
Other Services	827,415,569	909,167,613
Public Administration	106,751,395	236,717,851
Unclassified	17,267,689	198,982
Nebraska Total	<u>16,785,118,477</u>	<u>21,467,686,212</u>
Non-Nebraska (1)	<u>2,413,553,464</u>	<u>4,502,808,156</u>
Nebraska - Total Sales	<u>\$ 19,198,671,941</u>	<u>\$ 25,970,494,368</u>
Direct sales tax rate	Jan. 1 - Dec. 31 5.5%	Jan. 1 - Dec. 31 5.5%

SOURCE: Nebraska Department of Revenue - Annual Report
Sales Tax Statistics by Nebraska Business Classification

NOTES: (1) Sales made by non-Nebraska vendors, goods delivered to Nebraska, sales tax remitted to Nebraska.

State of Nebraska

RATIOS OF OUTSTANDING DEBT

2005 - 2014

(Dollars in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Lease rental bonds (blended component units)	\$ 23,430	\$ 19,435	\$ 15,240	\$ 10,835	\$ 4,850	\$ -	\$ -	\$ -	\$ -	\$ -
Capital leases under certificates of participation	24,927	22,965	22,072	19,509	22,182	23,181	27,308	25,358	22,716	18,175
Obligations under other financing arrangements	11,430	16,185	13,805	14,785	15,660	14,405	16,220	14,860	6,315	5,565
Total Primary Government	\$ 59,787	\$ 58,585	\$ 51,117	\$ 45,129	\$ 42,692	\$ 37,586	\$ 43,528	\$ 40,218	\$ 29,031	\$ 23,740
Debt as a Percentage of Personal Income	0.10%	0.10%	0.08%	0.07%	0.06%	0.05%	0.06%	0.05%	0.03%	0.03%
Amount of Debt per Capita	\$ 34	\$ 33	\$ 29	\$ 25	\$ 24	\$ 21	\$ 24	\$ 22	\$ 16	\$ 13

NOTE: Details regarding Lease Commitments, Obligations Under Other Financing Arrangements, and Bonds Payable can be found in CAFR Notes 8, 9 & 14 of the financial statements.
Population figures from the Population, Personal and Per Capita Income schedule.

State of Nebraska

COMPARATIVE UNEMPLOYMENT
NEBRASKA AND UNITED STATES
 2004 - 2013

YEAR	NEBRASKA			NEBRASKA	UNITED STATES
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT	UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNEMPLOYMENT AS PERCENT OF LABOR FORCE
2004	985,340	947,882	37,458	3.8 %	5.5 %
2005	986,296	949,070	37,226	3.8	5.1
2006	974,476	945,270	29,206	3.0	4.6
2007	983,438	953,769	29,669	3.0	4.6
2008	995,635	962,418	33,217	3.3	5.8
2009	983,517	938,080	45,437	4.6	9.3
2010	976,859	931,414	45,445	4.7	9.6
2011	1,005,455	960,830	44,625	4.4	8.9
2012	1,020,913	980,668	40,245	3.9	8.1
2013	1,030,977	991,039	39,938	3.9	7.4

SOURCE: Nebraska Statistics - Nebraska Department of Labor, Labor Market Information
 United States Unemployment – U.S. Department of Labor, Bureau of Labor Statistics

State of Nebraska

POPULATION, PERSONAL AND PER CAPITA INCOME NEBRASKA AND UNITED STATES

Calendar Years 2004 – 2013

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
2004	1,747,704	55,858	31,961	293,656,842	9,717,173	33,090
2005	1,758,787	58,019	32,988	296,410,404	10,224,761	34,495
2006	1,768,331	60,826	34,397	299,398,484	10,860,917	36,276
2007	1,774,571	64,220	36,189	301,621,157	11,631,571	38,564
2008	1,783,432	69,820	39,150	304,059,724	12,225,589	40,208
2009	1,796,619	70,565	39,277	307,006,550	12,165,474	39,626
2010	1,830,429	72,620	39,674	309,349,689	12,357,113	39,945
2011	1,842,641	78,220	42,450	311,591,917	12,949,905	41,560
2012	1,855,525	83,521	45,012	313,914,040	13,729,063	43,735
2013	1,868,516	86,013	46,033	316,128,839	14,081,242	44,543

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

State of Nebraska

TEN LARGEST EMPLOYERS

2012 and 2003

	December 2012			December 2003		
	Total	Employment	980,668	Total	Employment	936,664
NAME OF COMPANY	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT
State of Nebraska (excluding University)	1	15,902	1.622	1	16,506	1.762
University of Nebraska *	2	15,868	1.618	3	14,095	1.505
Offutt Air Force Base	3	12,000	1.224	4	11,137	1.189
Walmart	4	8,724	0.890	7	7,400	0.790
Alegent Health	5	8,600	0.877	10	6,099	0.651
Omaha Public Schools	6	7,202	0.734	6	8,073	0.862
Union Pacific Corporation	7	6,130	0.625	9	6,749	0.721
Lincoln Public Schools	8	5,933	0.605	11	5,036	0.538
Tyson Foods, Inc.	9	5,130	0.523	5	11,012	1.176
First Data Corp.	10	4,424	0.451	8	7,050	0.753
US Government (excluding Department of Defense) **				2	16,297	1.740

SOURCE: The Nebraska Department of Economic Development,
Hoovers, a Dun and Bradstreet data base, and Employers

NOTES:

* University of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney

** Sources did not track US Government employment in Nebraska

State of Nebraska

PUBLIC AND STATE OPERATED SCHOOL ENROLLMENT **PREKINDERGARTEN – GRADE 12**

2004/05 – 2013/14

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
2004 – 2005	26,848	61,011	62,210	69,253	65,237	284,559
2005 – 2006	28,028	61,593	61,478	68,325	66,124	285,548
2006 – 2007	29,013	62,781	61,358	67,008	66,975	287,135
2007 – 2008	32,666	63,964	61,471	65,729	67,281	291,111
2008 – 2009	33,835	65,227	62,079	64,839	66,517	292,497
2009 – 2010	35,525	66,401	63,340	64,349	65,737	295,352
2010 – 2011	36,171	67,702	64,688	64,429	65,560	298,550
2011 – 2012	36,682	68,470	65,974	64,341	65,850	301,317
2012 – 2013	35,926	69,224	66,951	65,127	66,277	303,505
2013 – 2014	38,482	68,140	68,182	66,369	66,504	307,677

SOURCE: Statistics and Facts About Nebraska Schools, Nebraska Department of Education.

State of Nebraska

PUBLIC HIGHER EDUCATION INSTITUTIONS **TOTAL FALL HEADCOUNT ENROLLMENT**

2004 - 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
COLLEGES AND UNIVERSITIES:										
Chadron State College	2,569	2,472	2,577	2,660	2,649	2,712	2,759	2,851	2,994	3,056
Peru State College	1,683	1,959	2,124	2,307	2,328	2,492	2,518	2,358	2,390	2,422
Wayne State College	3,398	3,322	3,407	3,527	3,566	3,631	3,569	3,517	3,555	3,506
University of Nebraska										
Lincoln (1)	22,012	21,937	22,378	22,877	23,862	24,525	24,993	24,926	24,538	24,745
Omaha	13,824	14,093	13,906	14,156	14,213	14,620	14,665	14,712	14,786	15,227
Kearney	6,382	6,445	6,468	6,478	6,543	6,650	6,753	7,100	7,199	7,052
Medical Center	2,904	2,995	3,067	2,206	3,194	3,237	3,494	3,625	3,655	3,681
TOTAL COLLEGES AND UNIVERSITIES	52,772	53,223	53,927	54,211	56,355	57,867	58,751	59,089	59,117	59,689
COMMUNITY COLLEGES										
Central CC	6,524	6,564	6,543	6,531	6,885	7,320	7,527	7,521	7,283	6,906
Metropolitan CC	12,961	13,237	14,098	14,804	15,055	17,003	18,523	18,518	17,376	15,752
Mid-Plains CC	2,957	2,607	3,030	2,715	2,708	2,765	2,988	2,623	2,591	2,491
Northeast CC	5,053	5,101	5,261	5,149	5,140	5,205	5,377	5,161	5,251	5,145
Southeast CC	10,079	10,059	9,594	9,603	10,419	11,556	12,242	11,479	10,168	9,751
Western CC	2,659	2,283	1,918	2,233	2,939	2,304	2,395	2,240	2,230	1,960
TOTAL COMMUNITY COLLEGES	40,233	39,851	40,444	41,035	43,146	46,153	49,052	47,542	44,899	42,005
TOTAL ALL INSTITUTIONS	93,005	93,074	94,371	95,246	99,501	104,020	107,803	106,631	104,016	101,694

NOTE: (1) University of Nebraska-Lincoln count includes Nebraska College of Technical Agriculture - Curtis for all years.

SOURCE: Nebraska Coordinating Commission for Postsecondary Education

State of Nebraska

**FULL TIME EQUIVALENT PERMANENT
EMPLOYEES BY FUNCTION
2004 - 2013**

FUNCTION	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Conservation	316	313	313	318	309	318	329	323	328	321
Regulation	355	358	372	362	364	358	357	350	355	358
Economic Development	542	526	532	525	452	478	441	459	430	426
Culture and Recreation	569	579	579	564	556	542	519	495	503	512
Education	587	597	601	590	593	606	598	586	578	579
Transportation	2,193	2,175	2,163	2,137	2,153	2,175	2,147	2,118	2,102	2,118
General Government	2,687	2,718	2,769	2,765	2,723	2,777	2,692	2,706	2,687	2,840
Public Safety	3,260	3,303	3,349	3,380	3,414	3,457	3,409	3,369	3,333	3,381
Health & Social Services	6,056	6,115	6,044	5,802	5,665	5,738	5,524	5,433	5,586	5,748
	<u>16,565</u>	<u>16,684</u>	<u>16,722</u>	<u>16,443</u>	<u>16,229</u>	<u>16,449</u>	<u>16,016</u>	<u>15,839</u>	<u>15,902</u>	<u>16,283</u>

SOURCE: Nebraska State Government - State Personnel Division - 2014 Almanac

State of Nebraska

OPERATING INDICATORS BY FUNCTION

2005 - 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Department of Revenue										
Percentage of returns filed electronically	53.6%	57.6%	62.5%	66.0%	70.0%	78.0%	85.0%	88.0%	88.5%	89.9%
Percentage of direct deposit refunds	39.7%	43.9%	54.5%	75.0%	77.0%	72.0%	71.0%	80.5%	77.3%	78.9%
Department of Roads										
Percentage of Roads in very good or good condition (1)	85%	80%	79%	81%	79%	75%	74%	74%	74%	N/A
Conservation of Natural Resources										
Department of Environmental Quality										
Inspections by field office staff										
Air Quality	N/A	82	186	129	129	133	148	139	90	82
Water Quality	N/A	543	999	1,158	1,147	1,384	1,502	1,591	1,801	1,113
Waste Management	N/A	110	179	137	140	141	146	153	172	145
Culture - Recreation										
Game and Parks Commission										
Park visitors (1,2)	10,293,381	9,997,632	10,193,030	9,910,097	8,780,619	10,441,504	9,703,332	10,597,549	11,684,965	N/A
Hatchery fish raised (in millions) (1)	6.8	15.6	25.6	22.8	35.6	46.4	35.5	40.4	39.4	N/A
Education										
Department of Education										
Fall Enrollment										
Pre-K to 12th grade	285,548	287,135	291,111	292,497	295,352	298,550	301,317	303,505	307,677	N/A
State Colleges and Universities	53,223	53,927	54,211	56,355	57,867	58,751	59,089	59,117	59,689	N/A
Public Community Colleges	39,851	40,444	41,035	43,146	46,153	49,052	47,542	44,899	42,005	N/A
Health and Social Services										
Health and Human Services										
Child Support Payments										
Number of Payments Received	1,316,154	1,344,778	1,383,619	1,444,202	1,471,974	1,483,868	1,486,397	1,517,767	1,505,288	1,381,831
Number of Payments Disbursed	1,127,651	1,153,771	1,202,635	1,156,102	1,312,748	1,332,638	1,362,598	1,387,684	1,379,810	1,400,860
Medicaid (average monthly)										
Medicaid recipients	198,757	200,670	201,009	203,513	208,696	224,459	235,353	237,543	240,639	235,496
Percentage of Nebraska population	11.3%	11.3%	11.3%	11.4%	11.6%	12.3%	12.8%	12.8%	12.9%	N/A
Food Stamps (average monthly)										
Number of households	49,726	51,146	51,915	52,162	55,178	68,098	75,460	76,776	78,743	78,051
Percentage of Nebraska households	7.1%	7.3%	7.3%	7.3%	7.7%	9.3%	10.2%	9.6%	9.8%	N/A
Public Safety										
Department of Correctional Services										
Inmate population (average monthly) (1)	5,010	5,145	5,222	5,289	5,395	5,469	5,602	5,975	6,224	N/A
Percentage of Nebraska population	0.29%	0.29%	0.29%	0.30%	0.30%	0.30%	0.30%	0.32%	0.33%	N/A
Total Admissions (1)	2,924	3,039	2,902	2,801	2,709	2,648	2,956	3,258	3,351	N/A
Total Releases (1)	2,800	2,969	3,092	2,789	2,598	2,544	2,861	3,251	3,113	N/A
State Patrol										
Miles Patrolled (1)	10,087,966	10,130,500	10,348,580	10,489,515	10,161,183	10,119,800	9,360,000	10,116,896	10,166,005	N/A
Accidents Investigated (1)	2,960	2,315	2,392	1,963	2,331	2,430	2,293	1,978	2,117	N/A
Transportation										
Department of Motor Vehicles										
Motor Vehicle Registrations (1)										
Automobiles	1,106,684	1,112,320	1,122,877	1,140,386	1,147,354	1,148,305	1,158,374	1,161,629	1,174,669	N/A
Trucks										
Farm	148,625	147,509	157,282	160,264	162,778	165,760	171,458	173,649	176,910	N/A
Commercial / Other	389,947	392,589	388,098	389,686	392,120	396,004	400,746	403,846	411,037	N/A
Motorcycles	36,622	40,065	43,387	49,191	50,322	51,359	53,773	55,461	55,833	N/A

NOTES: (1) Data is provided on a calendar basis.
(2) Park visitation is counted in daily visits.
N/A - Not Available

SOURCE: State Agencies: Department of Revenue, Department of Roads, Department of Environmental Quality, Game and Parks Commission, Department of Education, Health and Human Services, Department of Correctional Services, Nebraska State Patrol, Department of Motor Vehicles

State of Nebraska

CAPITAL ASSET STATISTICS BY FUNCTION

2005 - 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Department of Administrative Services										
Buildings	285	285	283	291	288	283	278	277	271	266
Vehicles	1,006	1,034	1,371	1,093	1,134	1,075	1,077	1,083	1,007	1,050
Conservation of Natural Resources										
Game and Parks Commission										
Acres of state park and wildlife land (in thousands)	146	148	149	149	149	150	150	151	152	152
Culture - Recreation										
Game and Parks Commission										
State Parks	8	8	8	8	8	8	8	8	8	8
Historical Parks	10	10	10	10	10	10	10	10	9	9
Recreation and wildlife areas	322	322	322	325	327	328	323	321	322	322
Fish hatcheries	5	5	5	5	5	5	5	5	5	5
Education										
NETV Commission										
Towers, antennas and transmitters	60	56	60	60	42	42	42	42	42	42
Public Safety										
State Patrol										
Pursuit Vehicles	442	364	351	474	474	432	384	436	486	486
Department of Corrections										
Buildings	124	129	126	143	135	131	134	135	134	130
Transportation										
Department of Roads										
Highway miles (calendar year)	9,953	9,950	9,949	9,949	9,949	9,950	9,945	9,946	9,946	N/A
Heavy trucks, plows and graders	1,083	1,068	1,072	1,053	1,120	1,095	1,109	1,063	1,054	1,052

NOTE: Other agencies, including those in the Economic Development, Health and Social Services and Regulation functional areas are not capital asset intensive.

SOURCE: State Agencies: Department of Administrative Services, Game and Parks Commission, NETV Commission, Nebraska State Patrol, Department of Correctional Services, and Department of Roads

State of Nebraska

MISCELLANEOUS DATA

June 30, 2014

Date Entered Union	March 1, 1867 (37th State)
Form of Government	Legislative – Executive – Judicial
Land Area	77,358 square miles (16th largest in U.S.)
Elevation	840 to 5,424 feet above sea level
Capital	Lincoln
Largest City	Omaha
Origin of Name	From Oto Indian word "Nebrathka" meaning "flat water"
Nickname	Cornhusker State (from method of harvesting or "husking" corn by hand)

SOURCE: Nebraska Blue Book, 2012-2013.

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Sheryl Hesseltine
Katy Steffensmeier, student intern

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